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Status: GRANTED

Title: Charles R. Christianson, et al., Petitioners
v.
Colt Industries Operating Corp.

Docketed:
September 23, 1987

Court: United States Court of Appeals for
the Federal Circuit

Counsel for petitioner: McNett, John C., Lefstein, Stuart R.

Counsel for respondent: Radice, Anthony M.

NOTE* Respond. shld be as above

Entry	Date	Note	Proceedings and Orders
2	Aug 1 1987		Application for Recall and Stay of Mandate filed (A-102) and response filed August 4, 1987.
3	Aug 1 1987		Application for Recall and Stay of Mandate denied by C.J. Rehnquist, August 6, 1987.
1	Sep 23 1987	G	Petition for writ of certiorari filed.
5	Oct 20 1987		Order extending time to file response to petition until November 2, 1987.
6	Oct 30 1987		Brief of respondent Colt Industries Operating Corp. in opposition filed.
7	Nov 4 1987		DISTRIBUTED. November 25, 1987
9	Nov 13 1987	X	Reply brief of petitioners Charles Christianson, et al. filed.
11	Nov 30 1987		REDISTRIBUTED. December 4, 1987
13	Dec 7 1987		REDISTRIBUTED. December 11, 1987
14	Dec 14 1987		Petition GRANTED. limited to Question 1 presented by the petition. In addition to this question, the parties are directed to brief and argue the following question: Did the United States Court of Appeals for the Federal Circuit have jurisdiction of the appeal from the district court judgment entered on July 19, 1985? *****
16	Jan 25 1988		Order extending time to file brief of petitioner on the merits until February 4, 1988.
18	Feb 4 1988		Joint appendix filed.
19	Feb 4 1988		Brief of petitioners Charles Christianson, et al. filed.
17	Feb 5 1988		Record filed.
		*	Certified copy of original record and proceedings, box, received.
21	Mar 2 1988		Order extending time to file brief of respondent on the merits until March 14, 1988.
23	Mar 11 1988		SET FOR ARGUMENT, Monday, April 18, 1988. (2nd case).
22	Mar 14 1988		Brief of respondent Colt Industries Operating filed.
24	Mar 25 1988		CIRCULATED.
25	Apr 9 1988	X	Reply brief of petitioners Charles Christianson, et al. filed.
26	Apr 18 1988		ARGUED.

SEP 23 1987

JOSEPH F. SPANIOLO, JR.
CLERK

No.

IN THE

Supreme Court of the United States

October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

vs.

COLT INDUSTRIES OPERATING, CORP.
Respondent.

**PETITION FOR WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

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QUESTIONS PRESENTED

This is an antitrust case involving the U.S. military rifle, the M-16, and presents the following questions:

1. Whether a U.S. Court of Appeals may rule on the merits of an appeal when it expressly rules that it does not have subject matter jurisdiction pursuant to statute.

After the Federal Circuit ruled that it lacked jurisdiction it transferred this appeal to the Seventh Circuit, which in turn, ruled that it lacked jurisdiction and transferred the appeal back to the Federal Circuit. The Federal Circuit again ruled that it had no jurisdiction pursuant to statute, but nonetheless ruled on the merits of the appeal.

2. Whether critical trade secrets known by a patentee when it files for a patent may be concealed from the patent, and then later enforced under state law, permitting perpetuation of the patent monopoly after the patent expires.

The caption contains the names of all parties. Supreme Court Rule 21.1(b). Petitioner, International Trade Services, Inc., pursuant to Supreme Court Rule 28.1, states that it has no parent, subsidiaries or affiliates.

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**PETITION FOR WRIT OF CERTIORARI
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PETITION

Petitioners, Charles R. Christianson and International Trade Services, Inc., (collectively "Christianson") respectfully pray that a Writ of Certiorari issue to review the judgment and opinion of the United States Court of Appeals for the Federal Circuit ("Federal Circuit") entered in the above entitled case on June 25, 1987.

OPINIONS BELOW

The Opinion of the Federal Circuit rendered on June 25, 1987 is reported at 822 F.2d 1544 and is reprinted at PA-1.*

The Opinion of the United States Court of Appeals for the Seventh Circuit ("Seventh Circuit") rendered on August 19, 1986 is reported at 798 F.2d 1051 and is reprinted at PA-41.

The unpublished Opinion and Order of the Federal Circuit rendered on December 4, 1985 is reprinted at PA-63.

The Judgment on Liability of the United States District Court for the Central District of Illinois was entered on July 19, 1985, is reported at 613 F.Supp. 330 and is reprinted at PA-67.

The Memorandum Opinion of the the United States District Court for the Central District of Illinois was entered on May 24, 1985, is reported at 609 F.Supp. 1174 and is reprinted at PA-73.

SUPREME COURT JURISDICTION

The Judgment of the Federal Circuit was entered on June 25, 1987. This Petition for Writ of Certiorari has been timely filed within ninety days thereafter (28 U.S.C. 2101(c); Supreme Court Rules 20.2, 20.4). The jurisdiction of the Supreme Court is invoked pursuant to 28 U.S.C. 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Sec. 8, Cl. 8 of the Constitution, in part, provides:

The Congress shall have power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

* "PA-1" is short for "Petitioner's Appendix Page 1."

Article III, Sec. 1 of the Constitution, in part, provides:

The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.

The Federal Courts Improvement Act. "Jurisdiction of the U.S. Court of Appeals for the Federal Circuit." Title 28 U.S.C. §1295 is reprinted at PA-101.

Title 28 U.S.C. §1291 is reprinted at PA-103.

Title 28 U.S.C. §1338 is reprinted at PA-103.

Title 28 U.S.C. §1631. "Transfers for Want of Jurisdiction" is reprinted at PA-104.

The Federal Antitrust Laws. Clayton and Sherman Acts. Title 15 U.S.C. §§15 and 26 reprinted at PA-105-106, and Title 15 U.S.C. §§1 and 2 reprinted at PA-104-105.

Title 35 U.S.C. §112, reprinted at PA-107, which in pertinent part provides that a patent must:

contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Title 35 U.S.C. §154 reprinted at PA-108, which in pertinent part provides that a patent has a "term of seventeen years."

STATEMENT OF THE CASE

Background in the District Court

Christianson, and his M-16 parts company International Trade Services, Inc., sued Colt for antitrust violations involving Colt's nearly 100% monopolization of the market for the U.S. military standard rifle, known as the "M-16," and its component parts. The complaint was amended to add a related count of tortious interference with business relationships.

Jurisdiction of the District Court was invoked under 28 U.S.C. §1332 and 15 U.S.C. §§4, 15 and 26.

Colt answered the complaint and counterclaimed. It alleged that it was merely engaging in a justified effort to enforce restrictive covenants to protect its trade secrets. Consequently, Colt argued that its group boycott, which drove Christianson's company out of business, was legitimate. Further jurisdictional bases were invoked, such as 28 U.S.C. §1338 (trademark infringement), 15 U.S.C. §1121, and the doctrines of pendant and ancillary jurisdiction.

Based upon undisputed facts, the parties filed cross motions for summary judgment. The District Court granted summary judgment of liability against Colt on both the antitrust and tortious interference claims and dismissed two of Colt's trade secret counterclaims. The District Court held that Colt had engaged in a "flagrant abuse" of the patent system by concealing critical trade secrets from its patents and consequently found such trade secrets to be unenforceable.

The Jurisdictional Conflict Between the Appellate Courts

Colt appealed the District Court's judgment to the Federal Circuit. Christianson moved to transfer the appeal to the Seventh Circuit, alleging the Federal Circuit lacked subject matter jurisdiction because his complaint did not "arise under" the patent laws. The Federal Circuit could not discern any basis for its jurisdiction under 28 U.S.C. §1295 ("Jurisdiction of the U.S. Court of Appeals for the Federal Circuit"), and transferred the appeal, pursuant to 28 U.S.C. §1631 ("Transfer to Cure Want of Jurisdiction") to the proper regional circuit which, under 28 U.S.C. §1291, was the Seventh Circuit.

The parties briefed and orally argued the merits before the Seventh Circuit. The Seventh Circuit, without addressing the merits, decided that the Federal Circuit was "clearly wrong" on the jurisdiction issue and ordered the appeal transferred back, citing 28 U.S.C. §1631.

Back in the Federal Circuit, Christianson moved to dismiss the appeal. Oral argument was held before the Federal Circuit on both jurisdiction and merits. The Federal Circuit, after an extensive review of its jurisdiction under 28 U.S.C. §1295, decided that the Seventh Circuit was "clearly wrong," and that a "monumental misunderstanding of the patent jurisdiction granted" the Federal Circuit had occurred. It stated:

This court was correct in its original transfer of this appeal to the Seventh Circuit. (PA-36)

. . . , we are convinced that Congress never intended this court to exercise jurisdiction over an appeal from a judgment like that *sub judice*. Because we can still, as was said in our original transfer order, "discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit," . . . (PA-10)

We have again concluded that this court has not been granted jurisdiction over an appeal from this type of summary judgment in an antitrust case, . . . (PA-27)

The Federal Circuit determined that it would not be in the "interests of justice" to re-re-transfer the appeal back to the Seventh Circuit, denied Christianson's motion to dismiss, and declined to seek the assistance of this Court under 28 U.S.C. §1254(3). Notwithstanding its express ruling that it had not been granted jurisdiction, it proceeded to render a decision on the merits.

The District Court Decision on the Merits

Since the M-16 was adopted as the U.S. military standard rifle in early 1964 and continuing to the present, Colt has in large measure controlled its manufacture and sale. After the M-16 became the standard weapon, Colt reinforced its position of control by obtaining numerous patents on M-16 improvements. However, after these patents began to expire, Colt undertook a campaign to eliminate the fledgling competition which was developing. Colt persuaded Christianson's suppliers and customers to agree not to deal with him. It told them, for example:

... [This letter is] to put you on notice of one flagrantly illegitimate source of which we have become aware: Charles Christianson and his International Trade Services company. . . .

In, fact the only legitimate source of 'M16' parts is Colt. . . .(PA-94)

As a result of numerous similar actions, Christianson was forced out of his eight year old M-16 parts business which he had originally entered with Colt's permission.

Colt explained that its actions in putting Christianson out of business were nothing more than proper enforcement of trade secrets under state law. Its alleged trade secrets were the dimensions and tolerances which Christianson, and all others, need to have in order to make an M-16 part that will functionally fit in any M-16 rifle *ever made*. These trade secrets were the so-called M-16 parts "interchangeability specifications."

The "interchangeability specifications" were critical because, under combat conditions, it was an inevitable necessity to scavenge parts from one M-16 in order to repair another. If a part was not made within the proper tolerances it would not fulfill this functional combat requirement. Consequently, the U.S. Military, and other governments that standardized on the M-16, would not buy or use such a non-interchangeable M16 part. These interchangeability specifications were, of necessity, unchanged since early 1964 when the M-16 became the U.S. standard.

Under state law, 20-year old dimensions and tolerances for a marketed product were usually not protectable as trade secrets since they were typically duplicatable by measurement (i.e. "reverse engineerable"). Accordingly, trade secret protection would usually not attach after such a time period. See *ILG Industries, Inc. v. Scott*, 49 Ill.2d 88, 273 N.E. 2d 393 (1971), *Syntex Ophthalmics, Inc. v. Novicky*, 591 F.Supp. 28 (N.D. Ill. 1983), *aff'd*, 795 F.2d 983 (Fed Cir. 1984), and cases cited therein. However, Colt distinguished its situation from these

cases by contending that the interchangeability specifications for an M-16 part were of such character that they could not be duplicated by "reverse engineering" to meet the critical interchangeability needed in the battlefield for all guns made since standardization. Colt's letters emphasized this to Christianson's customers and suppliers:

In theory, "reverse-engineering" may not infringe Colt's rights, provided, among other things, that the designer legitimately "reverse-engineers" parts that do not infringe any unexpired Colt patents, using information derived solely from his analysis of the parts and not Colt or Colt-derived proprietary information. In practice, however, Colt and others who have considered the problem seriously question whether such an undertaking is possible, in that the resulting parts would not in fact be equivalent to and interchangeable with Colt parts. A part that does not carry an assurance of interchangeability with existing "M16" parts should not in any circumstances be designated, labeled, or advertised as an "M16" part. (PA-93)

See also Colt letter at PA-95.

Thus the restrictive covenants controlling these specifications not only allowed Colt to continue to control the market, but on numerous occasions they have prevented improvements from being made by others to various parts of the standard U.S. firearm. In contrast, Colt has given itself numerous improvement patents covering M-16 parts and accessories. One example was a government request for drawings containing the interchangeability specifications for developing a grenade launcher which could be attached to the M-16. Instead of permitting their use, Colt developed and patented its own M-16 grenade launcher which became the standard of the U.S. Air Force. In another instance, just after Colt obtained two patents covering improved magazines for the M-16 and had filed for a third, Colt refused to allow the U.S. Army to use drawings needed for its magazine development.

Colt had filed for numerous patents after the interchangeability specifications had been standardized, nine of

which are dealt with in the District Court's judgment. The record reflected that each invention had been developed specifically to improve or fix the M-16. Moreover, the scope of the patent claims covered the actual M-16 parts. The record also showed that, during their terms, Colt had threatened enforcement of the patents and had licensed them to the U.S. Government and others in conjunction with M-16 manufacture.

The direct relationship of the patents to M-16 parts was borne out by the testimony of Colt's expert witness, Mr. Bredbury. For example, on the bolt assist invention of U.S. Patent No. 3,236,155, he stated that it was intended to fix a *design problem with the M-16* in closing the bolt and that:

The patent drawings illustrate the use of such a mechanism in an "M16" rifle, and I know that it was used in the "M16A1" production version. . . . The '155 patent drawings and specification clearly show how the claimed invention *interacts and integrates* with a particular gas-operated firearm, *the "M16" rifle*. . . . I am not aware, and have not been advised, of a better mode that existed as of July 1964 for practicing the claimed invention than that disclosed in the patent. (Bredbury Aff. 12, PA-100 Emphasis added)

Moreover, Colt admitted "that the inventors 'concealed' [from the patent applications] the dimensions and tolerances necessary to make parts interchangeable with Colt's 'M-16' parts." (Colt Main Brief on Appeal p. 24) Those were the unduplicatable specifications that ensured Colt's exclusive position.

After extensive analysis of the law relating to patent disclosure, the District Court concluded that the best mode of carrying out each of the "*claimed inventions*" in each of the patents "was the improvement of the M-16 military weapon, with the essential requirement that each of the *parts modifications* be fully interchangeable with the *corresponding part* in every M-16 ever produced." 609 F.Supp. at 1181 (PA-84) (Emphasis added). After reviewing those patents and their claims it further stated "Each [patent] describes the *claimed*

invention in a generalized way, without disclosing . . . the elements of structural detail and tolerances required to achieve the paramount requirement of full interchangeability of parts" in the M-16. 609 F.Supp. at 1182 (PA-87) (Emphasis added) It then noted:

Fifth, we have the situation where the patent applications are on an *improved component* which is interchangeable with and *serves as a replacement for a corresponding component* of a much larger standard U.S. product, which even more uniquely has the U.S. standards privately and secretly owned by the patent applicant.

Applying the above facts under the standard of Section 112 must [lead to] the conclusion that *at least the crucial interchangeability specifications* should have been in the patent. 609 F.Supp. at 1182 (PA-86) (Emphasis added)

It thus concluded that "a consistent pattern emerges when the several patents are compared. In each, Colt failed to disclose that information which was essential to disclosure of the best mode known to the patentee for practicing the *claimed invention*." 609 F.Supp. at 1183 (PA-87). (Emphasis added).

The District Court then held that the critical interchangeability specifications that were needed to make and use the inventions for the M-16 could not be enforceable as trade secrets.¹ Colt's alleged justification for its anticompetitive conduct was invalid and it was liable for driving Christianson out of business.

The District Court then decided, under its power to fashion an appropriate remedy in an antitrust case,² that:

Though *some of the M-16 trade secrets did not directly have to be disclosed in the patents* for various reasons of timing and subject matter, in order to best place the public

¹ Citing, among others, *Scott Paper Co. v. Marcalus Mfg. Co.* 326 U.S. 249 (1945), *Sears Roebuck & Co. v. Stiffel Company*, 376 U.S. 225 (1964), *Rototron Corp. v. Lake Shore Burial Vault Co., Inc.*, 712 F.2d 1214 (7th Cir. 1983), and *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (Mich. S.Ct. 1920).

² See, e.g., *United States v. National Lead Co.*, 332 U.S. 319 (1947), affirming judgment disgorging trade secrets to foster competition.

in a position it would have been in but for the wrongful acts of Colt Industries, and provide for proper competition, it is hereby declared that all trade secrets in technical information relating to the M-16, which came into existence prior to the entry of this order, are hereby declared void and unenforceable. 613 F.Supp. at 331. (PA-69) (Emphasis added)

At *Colt's request*, the District Court Judgment also stated that Colt's own patents were invalid.

The Federal Circuit Decision on the Merits

The interchangeability specifications were needed to make *just one* fully functional M-16 part, since that one part had to be able to fulfill its role of being moved from one M-16 to the next M-16 in the battlefield. The Federal Circuit ignored this fact. Instead, the Federal Circuit mistakenly categorized the trade secrets as nothing more than mere "mass-production" specifications. From that conclusion, it mischaracterized the District Court decision as requiring all "dimensions, tolerances and production drawings needed to mass produce the M-16 rifle" to be disclosed in each and every patent covering just a part of the rifle.³ (PA-31)

While ignoring the *criticality* and *unduplicatability* of the secrets at issue, the Court then went on to state that the patent statutes never require disclosure of any "data on how to mass-produce the invented product [as opposed to the entire rifle]." This unprecedented legal principle was stated by citing cases, all of which stood for the correct and more limited proposition that information that is either *duplicatable* by others or not even known to the inventor at the time of filing his patent need not be disclosed. (PA-32)

³ Christianson's Brief on Appeal at p. 38 pointed out that ". . . Colt's claims relate to M-16 component parts not the entire rifle. Christianson's counsel, at oral argument, repeated to the Federal Circuit that the missing disclosure was just the critical interchangeability specifications for putting the patented component in the M-16 and no more.

No court, until now, has held that "production specifications," by their nature, could never be required disclosure. As far back as *Grant v. Raymond*, 31 U.S. 141 (1832) this Court held that a jury could invalidate a patent for failing to disclose "proportions," "sizes," "distances" and the "bigness or size of the principal parts of said machine" if it decided that such failure prevented others from making and using the patented machine.

The Federal Circuit faulted the District Court for not looking at the "*claimed invention*" despite the express statements in the District Court's decision that it had.⁴ 609 F.Supp. at 1182 (PA-87) Curiously, the Federal Circuit found that since Colt's patent claims did not recite "M-16" or "interchangeability", that "[t]hus the best mode for making and using and carrying out the *claimed invention* does not entail or involve either the M-16 rifle or interchangeability." (PA-33, 34)⁵ It further ignored the testimony of Colt's own witness (*supra*, p. 8), and stated that "The patents relate to no particular 'existing' weapon."⁶ (PA-30)

⁴ The patent-by-patent analysis, that the Federal Circuit claims was not done, in fact had been done and was referenced by the District Court in its opinion (609 F.Supp. at 1182) where Judge Morgan adopts "Plaintiffs' careful analysis of Colt's" patents, referring to the detailed patent-by-patent analysis in Christianson's District Court briefs. That analysis was expressly referenced in Christianson's appellate brief at p. 17.

⁵ The Federal Circuit's "*claimed invention*" analysis conflicts with, among others, *Smith v. Snow*, 294 US 1 (1935). In *Snow*, this Court found that the patent specification, to disclose the best mode, had to contain numerous details regarding the "particular form in which the petitioner reduced the claim to practice." However, the claim language as a measure of the scope of the patent grant, was in much broader terms and did not include the details.

⁶ This determination was in conflict with the Sixth Circuit's holding in *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (6th Cir. 1977), that the "best mode" can logically be presumed to be the commercial embodiment.

The Federal Circuit determined, in essence, that as a matter of law, the critical trade secrets which enable Colt's M-16 improvement inventions to be incorporated into the M-16 are "simply and totally irrelevant" to what must be disclosed in the patents under 35 U.S.C. § 112. (PA-30, 33) This interpretation was not supported by any reference to the language in 112 or any precedent, and is at odds with the purpose and function of the patent system.

REASONS FOR GRANTING THE WRIT

This Court should Address the Jurisdictional and Procedural Conflict between the Federal and Seventh Circuits which Led the Federal Circuit to Rule on the Merits Without Authority under the Constitution and Despite its Express Ruling of No Statutory Jurisdiction.

The Federal Circuit's action in addressing the merits after expressly and correctly finding a lack of statutory jurisdiction is a fundamental violation of the principles of judicial action. It is not authorized by the Constitution or this Court, and should not be allowed to gain even a toehold as precedent. As stated by this Court in *Sheldon v. Sill*, 49 U.S. 441, 449 (1850): "Courts created by statute can have no jurisdiction but such as the statute confers." When a Circuit Court of Appeals acts without statutory jurisdiction this Court will reverse and remand with directions to dismiss the appeal. *Stratton v. St. Louis Southwestern R. Co.*, 282 U.S. 10, 18 (1930). As stated in *Firestone Tire & Rubber Co. v. Risjord*, 449 US 368, 379 (1981):

If the appellate court finds that the order from which a party seeks to appeal does not fall within the statute, its inquiry is over. A court lacks discretion to consider the merits of a case over which it is without jurisdiction, and thus, by definition, a jurisdictional ruling may never be made prospective only. We therefore hold that because the Court of Appeals was without jurisdiction to hear the appeal, it was without authority to decide the merits.

The Federal Circuit's self-proclaimed rule, generated *sua sponte*, that it can resolve such questions under a "rule of necessity and [in] the interest of justice" (PA-27) is also unauthorized under the Constitution.⁷ See *Firestone*, *supra*. Moreover, it is a denial of Christianson's right to due process.

In addition, the Writ should be granted to address the conflict between the Seventh Circuit and the Federal Circuit as to who had jurisdiction over this case and what procedure should have been followed. Beyond just the considerations to the instant parties, the two Courts of Appeals take opposing view points regarding the scope of the Federal Circuit's patent jurisdiction. If not settled by this Court, it may spread to other cases and result in the type of unseemly back and forth transferring that occurred in this case under the auspices of 28 U.S.C. § 1631. In *Hoffman v. Blaski*, 363 U.S. 335 (1960) certiorari was granted to settle issues arising from multiple transfers because of a conflict in interpreting the venue statutes.

The pleadings in this case demonstrate that the Federal Circuit's ruling that it did not have statutorily granted jurisdiction was correct, and that the Seventh Circuit's contrary decision was incorrect. The Federal Circuit has jurisdiction of appeals from final decisions of U.S. District Courts where the district court's jurisdiction, ". . . was based, in whole or in part, on section 1338 . . ." and certain other statutes not here pertinent. 28 U.S.C. § 1295(a)(1). Section 1338, in turn, confers jurisdiction on district courts to hear civil actions "arising under any Act of Congress relating to patents . . ." 28 U.S.C.

⁷ Additionally, nothing in 28 U.S.C. §1631, the transfer statute alluded to in the Federal Circuit's opinion and which contains "in the interest of justice" language, authorizes a court without jurisdiction to hear an appeal, and the Federal Circuit did not claim that it did. (PA-27). The premise of the statute which allows transfers to another court when there is a finding of "a want of jurisdiction" is precisely the opposite, that is, that because a court without jurisdiction necessarily lacks power to decide a case, the case may be transferred to a court with jurisdiction "if it is in the interest of justice" to do so.

§ 1338(a). For 100 years "arising under" jurisdiction has been determined by reference to "plaintiff's complaint." *Franchise Tax Bd. v. Laborers Vac. Trust*, 463 U.S. 1, 10 (1983). (Emphasis original).

In this case, plaintiff's complaint, alleging antitrust violations and tortious interference with business relationships because of a group boycott which put him out of business, contained no allegation of patent invalidity. On the contrary, the complaint, in paragraph 18, specifically alleged that "the validity of the Colt patents had been assumed throughout the life of the Colt patents . . .," and Colt, in its answer, responded to that paragraph by saying: "admits that Colt's patents are valid. (Emphasis added). (PA-5)"

Thus, as of the complaint and answer stage no issue had yet been drawn involving patent validity. However, Colt, in its answer and counterclaim, also asserted that its concerted action against plaintiff was justified because Christianson had improperly utilized Colt trade secrets which were protected under state law. Christianson, by way of reply to Colt's defense of trade secrets, raised for the first time the §112 issue, alleging that the claimed secrets were unenforceable because, among other reasons, the patent monopolies had been wrongfully acquired "without the required disclosure of the patent technology." That issue ultimately became the focus of the summary judgment proceedings in the District Court.

Clearly, defenses or arguments in reply to defenses based on federal law that arise subsequent to the complaint do not confer "arising under" jurisdiction. This is so "even if the defense is anticipated in the plaintiff's complaint, and even if both parties admit that the defense is the only question truly at issue in the case." *Franchise Tax Bd.*, *supra*, 463 U.S. at 13-14. Also see *Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. —, —, 106 S.Ct. 3229, 3232 (1986) ("A defense that raises a federal question is inadequate to confer federal jurisdiction.")

Finally, the writ should be granted because upon remand to the District Court this case will no doubt have further proceedings. In the present state of the case, the parties, the District

Court and even the two appellate courts will not know where the next appeal should go. Further unseemly proceedings are likely.

The Opinion of the Federal Circuit on the Merits Has Sanctioned The Use of Critical Trade Secrets as a Mechanism for Extending a Patent Monopoly Beyond the Expiration of the Patent.

1. The Decision is in Conflict with this Court's and other Appeals Court's Decisions.

The Federal Circuit's merits opinion implicitly sanctions the use of critical trade secrets, through a system of restrictive covenants, to extend patent monopolies beyond their terms. Such a result is in conflict with the Constitutional mandate to Congress "to promote the progress of science and useful arts, by securing for *limited times* to authors and inventors the exclusive right to their inventions and discoveries." (Emphasis added). It is also in conflict with this Court's consistent holdings that ". . . any attempted reservation or continuation in the patentee * * * of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent law." *Scott Paper Co. v. Marcalus Mfg. Co.* 326 U.S. 249, 255-256 (1945); also see *Sears, Roebuck & Co. v. Stiffel Company*, 376 U.S. 225 (1965); *Brulotte v. Thys Company*, 379 U.S. 29 (1965). The other Courts of Appeals have followed that principle.⁸ In particular, see *Rototron Corp. v. Lake Shore Burial Vault Co., Inc.*, 712 F.2d 1214 (7th Cir. 1983).⁹

⁸ *Boggild, et al. v. Kenner Products*, 776 F.2d 1315 (6th Cir. 1985) *cert. denied* 106 S.Ct. 3284 (1986), and *Pitney Bowes, Inc. v. Mestre*, 701 F.2d 1365 (11th Cir.) *cert. denied*, 104 S.Ct. 239 (1983). See also *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (Mich. S.Ct. 1920).

⁹ In *Rototron*, 712 F.2d at 1215, the 7th Circuit held: "Therefore, the Rototron process cannot be regarded as a trade secret, because the grant of patent automatically constitutes full disclosure of the patented process. . . . the patentee's only protection is that afforded under the patent law." These provisions of federal patent law prevail over inconsistent State remedies. [citing *Sears, supra*]. Hence Rototron had no protectable trade secret after issuance of its patent on the rotational molding process."

In *Sears*, relied upon by the District Court, but not discussed by the Federal Circuit, this Court stated:

Finally, and especially relevant here, when the patent expires the monopoly created by it expires, too, and the right to make the article — *including the right to make it in precisely the shape it carried when patented* — passes to the public. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 120-122 (1938); *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169, 185 (1896).

Thus the patent system is one in which uniform federal standards are carefully used to *promote invention while at the same time preserving free competition. Obviously a State could not, consistently with the Supremacy Clause of the Constitution, extend the life of a patent beyond its expiration date or give a patent on an article which lacked the level of invention required for federal patents. To do either would run counter to the policy of Congress of granting patents only to true inventions, and then only for a limited time.* Just as a State cannot encroach upon the federal patent laws directly, it cannot, under some other law, such as forbidding unfair competition, give protection of a kind that clashes with the objectives of the federal patent laws. (Emphasis Added)

376 U.S. at 230, 231.

This Court should address the Federal Circuit's opinion before its existence, as a pronouncement of the "patent court," sanctions the erosion of the long standing and fundamental prohibition against the extension of patent monopolies beyond patent expiration.

2. The Case Presents the Opportunity to Clarify the Interface Between Issued and Expired Patents and Trade Secret Law.

This case also falls in line with this Court's past willingness to grant certiorari for cases that delineate differing aspects of the interface between the federal patent system and the state trade secret laws. Of particular note in that regard are *Sears*, *Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), *Kewanee Oil*

Co. v. Bicron Corp., 416 U.S. 470 (1974), and *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979). *Sears* reviewed the situation when there are no trade secrets and no patents. *Kewanee* addressed the situation when there are no patents but there are trade secrets. *Aronson* addressed the situation of trade secrets and a patent application that never issued as a patent. And now this case presents the conflict between trade secrets and expired, issued patents. As such, it provides this Court the opportunity to resolve the last, and perhaps the most commercially important of the patent/trade secret interface issues.

3. The Federal Circuit's Interpretation of a Limitation to the Patent Disclosure Statute has No Support in the Statutory Language and Improperly Favors the Interests of the Patentee Over those of the Public.

The Federal Circuit's decision also interpreted the disclosure statute, 35 U.S.C. § 112,¹⁰ in a manner that is not supported by its language or the underlying policies of the patent system. This Court should grant the writ to review that interpretation before it can have the far reaching effect of decreasing disclosure by patentees, increasing reliance on trade secrets and creating more situations where patent monopolies are extended.

The District Court noted that this case involves a situation "where interchangeability is an absolutely essential requirement of customers, amounting to a situation of life and death on occasion" and that the inventor knew that "dimension and tolerances necessary for interchangeability . . . were important at the time of filing the patent applications." The Federal Circuit ruled that those "findings are . . . irrelevant to the

¹⁰ To fulfill the Constitutional purpose, Congress enacted the disclosure requirements of 35 U.S.C. 112 and limited patents to seventeen years. 35 U.S.C. § 154. Compliance with 112 is the "quid pro quo" for the patent grant. *Universal Oil Products Co. v. Globe Oil & Refining Co.*, 322 U.S. 471 (1944).

Section 112 issue." (PA-30) The Federal Circuit did not indicate how the express language of the statute required such a *limitation* on the disclosure requirement. This is contrary to *Parker, Acting Comr. Pats. v. Flook*, 437 U.S. 584, 596 (1978):

We would require a clear and certain signal from Congress before approving the position of a litigant who, as respondent here, argues that the beachhead of privilege is wider, and the area of public use narrower, than the courts had previously thought."

And *Diamond, Comr. Pats. v. Chakrabarty*, 447 U.S. 303, 307-308 (1980):

"The authority of Congress is exercised in the hope that '[t]he productive effort thereby fostered will have a positive effect on society through the introduction of new products and processes of manufacture *into the economy*, and the emanations by way of increased employment and better lives for our citizens. ***

We have cautioned that courts *should not read into the patent laws limitations and conditions* which the legislature has not expressed. (Emphasis Added)

Moreover, the Federal Circuit's finding in the statute of a *limitation* on disclosure impermissibly tips the scales in favor of the patentee and away from the public's interest without a reasoned analysis of why the public interest must be sacrificed. Since the patent system's formation, this Court has consistently held, from *Pennock v. Dialogue*, 27 U.S. 1 (1829) to most recently *Sony Corp. of America v. Universal City Studios*, 464 U.S. 417 (1984), that the public interest is paramount to the rights of the patentee. "It is undeniably true, that the limited and temporary monopoly granted to inventors was never designed for their exclusive profit or advantage." *Kendall v. Winsor*, 62 U.S. 322, 327-328 (1858).

Consequently, "... the public, on the inventor's complying with certain conditions, give him, for a limited period, the profits arising from the sale of the thing invented." (Emphasis added) *Shaw v. Cooper*, 32 U.S. 184, 201 (1833). In return, upon expiration, the patent disclosure is intended to allow the public

to benefit and *profit*. This Court stated in *Le Roy v. Tatham*, 55 U.S. 167, 188 (1852):

"This [disclosure] is required . . . in order that when the patent shall run out, the public may know how to *profit* from the invention." (Emphasis added)

Again, recently in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-481 (1974) this Court stated:

In return for the right of exclusion — this "reward for inventions," — the patent laws impose upon the inventor a requirement of disclosure so that upon the expiration of the 17-year period "the knowledge of the invention inures to the people, who are thus *enabled without restriction to practice it and profit by its use.*" [citations omitted] (Emphasis added)

No case, until now, has held that unduplicatable information can be withheld.¹¹ The standard has always been that the patentee is only excused from disclosure of information, relating to its best mode of carrying out the claimed invention, where such information was either not known to the patentee, already publicly available or reproducible by those of skill in the art, without undue experimentation. *Webster Looms v. Higgins*, 105 U.S. 580 (1882)

¹¹ As pointed out in Carlson, *The Best Mode Disclosure Requirement in Patent Practice*, 60 J.P.O.S. 171, 179 (1978): "... Adherence to the best mode disclosure requirement, therefore, actually *promotes competition* by providing individual and corporate competitors with information regarding processes having the *greatest commercial potential*; information that would no doubt be kept secret using a trade secrecy agreement in the absence of patent protection. Thus, *there is a substantial public benefit associated with the best mode disclosure requirement both in terms of increased competition in the marketplace and protection of the proprietary interests of the inventor.*" (Emphasis added)

(Footnote continued on following page)

Accordingly, a party is free to disclose what it wishes and in any suitable manner provided it discloses enough under 112. *Weil v. Freitz, Evans, and Cooke*, 601 F.2d 551 (CCPA 1979). However, the realization is that a patentee will have the "selfish desire" and seek to disclose as little as possible. *Flick Reedy Corp. v. Hydro Line Mfg. Co.*, 351 F.2d 546, 550-51 (7th Cir. 1965), *cert. denied*, 383 U.S. 958 (1966). Therefore, the Courts primary focus has always been on what amount of disclosure is necessary to fulfill the requirement of the words of 112: "... set forth the best mode contemplated by the inventor of carrying out his invention." (Emphasis Added) The *quality* of the disclosure must be in "full, clear, concise and exact terms." *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (6th Cir. 1977).

Further, the difficulty that a patentee might experience in fulfilling the disclosure requirement is not as important as the detriment to the public if he fails to fulfill it. As stated in *United States v. Line Material Co.*, 333 U.S. 287, 316-317 (1948):

The effort [of patentees] through the years has been to expand the narrow monopoly of the patent. The Court, however, has generally been faithful to the standard of the Constitution, has recognized that the public interest comes first and reward to inventors second, and has refused to let the self-interest of patentees come into ascendancy. As we stated in *B.B. Chemical Co. v. Ellis*, 314 U.S. 495, 498, "The patent monopoly is not enlarged by reason of the fact that it would be more convenient to the patentee to have it so, or because he cannot avail himself of its benefits within the limits of the grant."

¹¹ continued

And McDougall, *The Courts Are Telling Us: "Your Client's Best Mode Must Be Disclosed"*, 59 J.P.O.S. 321 (1977) points out: "From an early date indeed the Congress felt that an inventor seeking a patent should not be allowed to hold back anything important concerning his invention." (at 321) In discussing relevant case law, McDougall points out that courts have a distaste for "patent disclosures which withhold from readers the information needed for duplication of the patentee's commercial product." (at 326) (Emphasis added)

Disclosure has always sought completeness. For example, in *In re Argoudelis*, 434 F.2d 1390 (CCPA 1970), the applicant was faced with the problem that he could not adequately describe a microorganism that he used in making his invention. In order to comply with 112 he deposited *actual* microorganisms with a public depository so that those of ordinary skill in the art could duplicate his invention.

All cases on best mode consistently, whether explicitly or implicitly, have been founded on the underlying premise that there is a failure to disclose the best mode where the patentee has retained information which *cannot be duplicated* by others and serves to maintain his patent monopoly by placing impediments to realistic commercial competition due to the lack of disclosure. In a sense, the patentee refused to disclose, though it could have, information that it knew would unduly block competition. This is the thread through every best mode case cited by the District Court¹² and ignored by the Federal Circuit's decision which is in strong conflict with the principle of those cases.

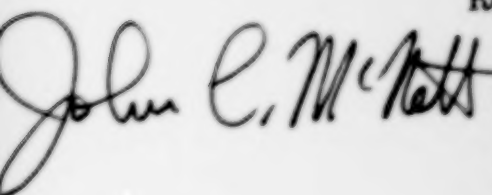
This Court should address the Federal Circuit's opinion before it becomes a guidepost for the preparation of numerous patent applications under its new lax disclosure requirements. If not addressed by this Court, the Federal Circuit's decision will be used by patentees to conceal difficult-to-duplicate or unduplicatable trade secrets because they are not expressly recited in the "claimed invention" and because they relate to customer requirements for the product or "mass production." Such a result would have the patent system turn its back upon the ultimate rights of the public to have the true commercial benefit of open competition upon the patent expirations.

¹² *Flick-Reedy Corp. v. Hydro Line Mfg. Co.*, 351 F.2d 546 (7th Cir. 1965), *cert. denied*, 383 U.S. 958 (1966); *Dale Electronics, Inc. v. R.C.L. Electronics, Inc.*, 488 F.2d 382 (1st Cir. 1973); *Engelhard Industries Inc. v. Sel-Rex Corp.*, 253 F.Supp. 832, (D. N.J. 1966) *aff'd* 384 F.2d 877 (3rd Cir. 1967); *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355, (6th Cir. 1977); and *White Consolidated Industries v. Vega Servo-Control*, 713 F.2d 788 (Fed. Cir. 1983).

CONCLUSION

For each and all of the reasons stated, a Writ of Certiorari should issue to review the judgment and opinion of the Federal Circuit.

Respectfully submitted,



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September 23, 1987

Petitioners' Appendices

Appendix A

**United States Court of Appeals
for the Federal Circuit**

CHARLES R. CHRISTIANSON AND)	
INTERNATIONAL TRADE SERVICES,)	
INC., ETC.,)	
)	
<i>Appellee,</i>)	
)	
v.	)	Appeal No. 85-2644
)	
COLT INDUSTRIES OPERATING CORP.,)	
)	
<i>Appellant.</i>)	

DECIDED: June 25, 1987

Before MARKEY, *Chief Judge*, NICHOLS, *Senior Circuit Judge*, and BISSELL, *Circuit Judge*.

MARKEY, *Chief Judge*.

Appeal from a summary judgment of the United States District Court for the Central District of Illinois in favor of Charles R. Christianson and International Trade Services, Inc. (ITS) (Christianson). The court held Colt Industries Operating Corp. (Colt) liable under: (1) sections 4 and 16 of the Clayton Act (15 U.S.C. §§ 15, 26) and sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1, 2), because Colt asserted trade secrets the court deemed "invalid" for failure of Colt to disclose

them in nine U.S. patents the district court declared invalid for noncompliance with best mode and enablement provisions of 35 U.S.C. § 112;¹ and (2) the theory of tortious interference with contract. *Christianson v. Colt Industries Operating Corp.*, 609 F.Supp. 1174, 227 USPQ 361, *final judgment on liability*, 613 F.Supp. 330 (C.D.Ill.1985). We reverse in part, vacate in part, and remand.

Introduction

The present appeal reflects a monumental misunderstanding of the patent jurisdiction granted this court. An appeal in a pure and simple antitrust case is here solely because an issue of patent law appears in an *argument* against a *defense*. Christianson asserted rights that arise under, and only under, antitrust law. Colt's defense is its trade-secret rights under state law. Christianson's argument against that defense is that Colt lost its secrets because it did not disclose them in its patent applications. The district court's opinion said Colt's patents were invalid. Colt requested inclusion of that view in the final judgment and brought its appeal here.

¹ The nine U.S. patents declared invalid are: (1) No. 3,236,155 issued February 22, 1966, entitled "Firearm Having an Auxiliary Bolt Closure Mechanism"; (2) No. 3,292,492 issued December 20, 1966, entitled "Trigger Mechanism"; (3) No. 3,301,133 issued January 31, 1967, entitled "Mechanism For Changing Rate of Automatic Fire"; (4) No. 3,366,011 issued January 30, 1968, entitled "Buffer Assembly Having a Plurality of Inertial Masses Acting in Delayed Sequence to Oppose Bolt Rebound"; (5) No. 3,440,751 issued April 29, 1969, entitled "Firearm Box Magazine With Straightend and Intermediate Arcuate Portions"; (6) No. 3,453,762 issued July 8, 1969, entitled "Disposable Magazine Having a Protective Cover and Follower Retaining Means"; (7) No. 3,619,929 issued November 16, 1971, entitled "Magazine With Anti-Double-Feed Indentations in the Side Walls"; (8) No. 3,771,415 issued November 13, 1973, entitled "Rifle Conversion Assembly"; and (9) No. 3,977,296 issued August 31, 1976, entitled "Hydraulic Buffer Assembly For Automatic or Semiautomatic Firearm".

Background

(a) The Earlier Patent Suit

On September 2, 1983, Colt sued Springfield Armory, Inc. and Rock Island Armory, Inc. (Springfield) for patent infringement² and other activities. Colt sought to preliminarily enjoin performance of Springfield's contract to sell M-16-type rifles to El Salvador, alleging unauthorized use of Colt's production trade secrets. Springfield said it copied the weapon by reverse engineering. Finding that Springfield had copied Colt's production secrets, the district court granted a preliminary injunction on October 7, 1983.

Convinced that former Colt employee Christianson disclosed its secrets to Springfield, Colt added him and his company, ITS, as parties on November 23, 1983. When the court denied a preliminary injunction against Christianson and ITS, Colt dismissed its complaint against them.

On October 17, 1983, Springfield appealed to this court, but abandoned its reverse engineering theory, saying the weapon could *not* be reverse engineered. Springfield then presented the novel theory that its inability to mass produce a particular type (M-16) of *rifle* established a failure of Colt's patents on rifle *parts* to comply with 35 U.S.C. § 112 ¶ 1.

On March 20, 1984, this court affirmed, *Colt Industries Operating Corp. v. Springfield Armory, Inc.*, 732 F.2d 168 (Fed.Cir.1984) (unpublished opinion), but noted in dicta that, "Although Springfield's 35 U.S.C. § 112 arguments, particularly relating to best mode, have an appearance of validity, . . . the evidence of record is totally lacking in specifics." This court noted a distinction between a rifle and rifle parts and listed the "specifics" of evidence required (none of which appears of record here).

² Colt's allegations of patent infringement were based on U.S. Patent No. 3,618,248 issued November 9, 1971, entitled "Buttstock Assembly With a Latchable Door For a Compartment Formed Therein", and three patents listed in note 1, *supra*, as numbers (4), (5), and (7).

(b) This Antitrust Suit³

On May 14, 1984, Christianson filed an inartful complaint against Colt "pursuant to Section 4 ... (15 U.S.C. § 15) and Section 16 of the Clayton Act (15 U.S.C. § 26) for damages, injunctive and equitable relief by reason of its violation of Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 & 2), as hereinafter alleged." (Complaint ¶ 1, JA at 39).

After alleging that Colt controlled "nearly 100%" of the market for M-16 rifles and parts, acquired patents in "the late 1950's" and "early 1960's," and granted licenses extending beyond the life of its patents, Christianson inserted this disjointed statement in Count I of the complaint:

18. The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. §112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

Count I continued with allegations that Colt gave and withdrew permission for ITS to make and sell M-16 parts, and drove ITS out of business by threats to suppliers and customers and by joinder and dismissal of ITS in *Springfield*.

³ On June 27, 1984, the district court consolidated the patent and antitrust suits for discovery and trial under Fed.R.Civ.P. 42(a). On August 1, 1984, the district court ordered that discovery in the former could be used in the latter. On September 5, 1984, the patent suit was settled on terms set forth in a Consent Judgment and an ancillary agreement. Under that judgment, Springfield was permanently enjoined from selling M-16 rifles to El Salvador and from using Colt's proprietary drawings and information in the manufacture or sale of M-16 rifles, *unless* Colt were later determined to have lost its trade secret rights.

On October 19, 1984, Christianson added a count II, alleging tortious interference with Christianson's business relationships.

In its answer to paragraph 18, Colt said it "admits that Colt's patents are valid until the end of their respective lifetimes" and admitted that "anyone with ordinary skill in the art is entitled to and is able to use any and all of Colt's expired patents for any legitimate purpose."⁴

Colt counterclaimed, alleging jurisdiction under 28 U.S.C. §§1331, 1332(a), 1338 (trademark infringement), 15 U.S.C. §1121, Fed. R. Civ. P. 13, pendent and ancillary jurisdiction, and that Christianson: (a) improperly obtained and used Colt's confidential information, proprietary drawings, and other trade secrets pertaining to its production of M-16 rifles; (b) breached contractual duties; (c) tortiously interfered with Colt's contracts; and (d) willfully violated section 43(a) of the Lanham Act (15 U.S.C. §1125(a)) and Illinois state law by falsely designating its products.

Christianson answered Colt's counterclaims, substantially repeating paragraph 18, *supra*, of Count I, and alleging that Colt fraudulently procured its patents by concealing "patent technology" and is now asserting that "technology" as trade secrets and thereby extending the patent grant.

Christianson's motion for summary judgment sought only a declaration that Colt's trade secrets were invalid. It stated, "(b)asic and fundamental to the subject lawsuit is whether or not at any of the times described in the complaint and counterclaims (Colt) possessed and was entitled to maintain as exclusive proprietary rights its claimed trade secrets with respect to the M-16 rifle and rifle parts," and that "none of these trade secrets were (sic) valid (sic) as a matter of law."

⁴ Colt apparently meant that its patents "had been" valid (patents issued in the "late 1950's" and "early 1960's" were expired in 1984 when Christianson's complaint was filed), and that anyone is entitled to use the *information* in its expired patents (the important but sole purpose of an expired patent, which has no further exclusionary use as a patent).

(c) District Court Opinion

Focusing on 35 U.S.C. §112, the district court granted Christianson's motion on Counts I and II and denied Colt's cross-motion. 609 F. Supp. 1174, 227 USPQ 361. The district court said "(t)he thrust of (Christianson's) motion is the position that Colt cannot assert its claim of trade secrecy against (Christianson) because it had, in its now-expired patents, failed to make the full disclosures of its claims of invention as required by 35 U.S.C. §112," *id.* at 1176, 227 USPQ at 362; "(t)he disclosures made by Colt satisfied neither the enablement nor best mode requirements of 35 U.S.C. §112," *id.* at 1178, 227 USPQ at 363, and that each of Colt's "patents was invalid from its inception and that any claim of trade secrecy as to the nondisclosed information is likewise invalid," *id.* at 1184, 227 USPQ at 367. The district court said this court's dicta in *Springfield*:

can and should be accepted as the statement of a recognition by (the Federal Circuit) that possibly serious issues of Colt's compliance with Section 112 could exist, subject to substantiation by adequate evidence. To that extent, and to that extent only, that statement does have a bearing on the issues now before this court.

Id. at 1177, 227 USPQ at 363.

Instructed to prepare a final judgment and order, the parties proposed, and the court's final judgment and order included, numerous matters never presented to the court. It was during this process that Colt requested a holding that its own patents, as stated in the court's opinion, were invalid.

On July 19, 1985, the district court entered its "Final Judgment on Liability" which stated:

Patent infringement is not an issue in this case. This court has jurisdiction over the subject matter of this action and the parties before it under 28 U.S.C. §1332 and 15 U.S.C. §§4, 15 and 26. Venue in this district is proper under 28 U.S.C. §1391(b) and (c) and 15 U.S.C. §15.

613 F. Supp. 330, 331.

The district court ordered: (a) a trial on damages and a hearing on attorney fees; (b) Colt's nine patents are invalid from inception; (c) Colt's rights in its secrets on production of the M-16 rifle are void and unenforceable; (d) Colt is enjoined from asserting any form of trade secret in any technical information relating to production of the M-16 rifle, including any that "came into existence prior to entry of this order"; (e) Colt shall preserve until June 1, 1989 such technical information and provide it upon request to Christianson within 30 days of such request; (f) Colt may no longer designate its documents and drawings as protected trade secrets; (g) Colt shall serve this order on Christianson's suppliers and customers; (h) Colt's counterclaims alleging tortious interference with Colt's contracts are dismissed; and (j) that final judgment be entered for Christianson on Counts I and II of the complaint⁵

The court certified under Fed. R. Civ. P. 54(b) and 28 U.S.C. §1292(b) that an appeal may materially advance the termination of the litigation and stayed the judgment and all proceedings pending appeal. Fed. R. Civ. P. 62(c).

(d) Actions of the Appellate Courts

Colt appealed here, citing 28 U.S.C. §§1292(a)(1) and 1295. On August 13, 1985, Christianson moved to transfer the appeal to the U.S. Court of Appeals for the Seventh Circuit under 28 U.S.C. §1631, saying this court lacked jurisdiction because the district court's jurisdiction was not based on 28 U.S.C. §1338, Christianson's antitrust action not being one "arising under" the patent laws. 28 U.S.C. §1338. Colt opposed the motion. On December 4, 1985, this court granted Christianson's motion in a short unpublished order that did not explain why jurisdiction was lacking, it being expected that the parties and others interested would recognize that it was based on the reasons and authorities set forth in the movant's brief.

⁵ The parties have offered no indication of any basis for the district court's rulings on matters that were not presented in either motion for summary judgment, such as Count I (antitrust liability) and Count II (Colt's tortious interference with Christianson's business relationships).

Before the Seventh Circuit, the parties submitted briefs, and on May 8, 1986, argued the case. Neither party raised the jurisdictional issue. In *Christianson v. Colt Industries Operating Corp.*, 798 F.2d 1051, 230 USPQ 840 (7th Cir. 1986), the Seventh Circuit elected *sua sponte* to review our transfer order, saying it has "considerably less persuasive force than a full opinion on the complex questions presented," and that it was not binding as law of the case because it was "clearly wrong." *Id.* at 1056-57 & n. 7, 230 USPQ at 844-45 & n. 7. Based on Colt's brief on Christianson's original transfer motion, the Seventh Circuit re-transferred the appeal to this court.

Noting that 28 U.S.C. §1338 incorporates traditional rules of statutory "arising under" jurisdiction, the Seventh Circuit said two types of cases may arise under the patent laws for purposes of §1338: (1) those in which patent law "creates" the cause of action, (Justice Holmes' "creation" test); and (2) those in which "the vindication of a right under a non-patent law calls for a determination of the meaning or application of a patent law." *Id.* at 1059, 230 USPQ at 847. Recognizing the import of the well-pleaded complaint rule, the court nonetheless said it may "recharacterize" the pleadings, using what it found in pleadings other than the complaint (here, the summary judgment motions). *Id.* at 1060, 230 USPQ at 847 (citing cases).

Because the complaint requested no relief under the patent laws, the Seventh Circuit said the action does not meet the "creation" test, but "(t)he crux of the plaintiffs case is that, by failing to make the necessary disclosures under section 112, Colt is extending its exclusionary rights beyond the 17-year life of the M-16 patents, a result inconsistent with the objectives of the patent system." 798 F.2d at 1061, 230 USPQ at 848. Applying its alternative test, the court held that, "because Christianson's right to recovery, although ostensibly based on the antitrust laws, 'would be defeated by one or sustained by an opposite construction' of the patent laws," (quoting *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570, 221 USPQ 1121, 1123 (Fed. Cir. 1984)), the action does arise under the patent laws. *Id.*

Lastly, the Seventh Circuit rejected Christianson's interpretation of its own complaint. Christianson said the complaint's reference to section 112 was only in anticipation of Colt's trade secret defense and counterclaim. Describing that argument as "disingenuous, to say the least," the court said the "complaint may be sketchy, but it leaves no doubt that Christianson was relying on that pleading (Count 1 of which was never amended) to obtain a determination that Colt's patent applications failed to comply with disclosure requirements of §112," and that "(t)he summary judgment proceedings confirm our initial interpretation of the complaint." 798 F.2d at 1062, 230 USPQ at 849.

On October 2, 1986, Christianson moved to dismiss the re-transferred appeal, but did not suggest a re-re-transfer to the Seventh Circuit. Colt opposed the motion. Four days later, the parties argued the appeal on its merits before this court.

ISSUES

- (1) Whether this court has jurisdiction of this appeal.
- (2) Whether the interest of justice compels a decision by this court at this time.
- (3) Whether the district court erred in granting Christianson's motion for summary judgment.

OPINION

(1) Jurisdiction (a) Federal Courts Improvement Act

As evidenced by our respectful disagreement with our sister circuit in this opinion, this court's jurisdiction in some cases is less than crystal clear.⁶ With five years of experience under the

⁶ *United States v. Hohri*, 55 U.S.L.W. 4716 (U.S. June 1, 1987) (dealing with this court's jurisdiction granted at 28 U.S.C. §1296(a)(2)).

Act, it may be time for Congress to make its intention even more clear to those willing to look for it in the statute and legislative history. In the meantime, clarity may be advanced by vigorous, straightforward, and complete expression of views by all concerned.

The Seventh Circuit has here provided its view on the part of this court's jurisdiction granted in section 1295(a)(1) of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982) (FCIA). Before the FCIA, the regional circuits had jurisdiction of appeals like this. We find no basis on which to posit a congressional intent to deprive the regional circuits of jurisdiction over *every* appeal that remotely involves a patent issue.

Congress is the *source* of jurisdiction granted federal courts, other than the Supreme Court, yet the Seventh Circuit made no detailed reference to the legislative history of the FCIA. Continuing this court's consistent focus on the source, we are convinced that Congress never intended this court to exercise jurisdiction over an appeal from a judgment like that *sub judice*. Because we can still, as was said in our original transfer order, "discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit," we expand somewhat on that view here.⁷

In 28 U.S.C. §1295(a)(1), Congress granted this court exclusive jurisdiction over any appeal from a final decision of the district court "if the jurisdiction of that court was based, in whole or in part, on Section 1338 of this title," and the jurisdiction of the district court was not based solely on a copyright or trademark claim. Section 1338 provides that "The district

⁷ Christianson's argument, in its motion to dismiss, that this court's transfer order was *res judicata* is without merit, the action not having been terminated. Because the Seventh Circuit's transfer to this court was "clearly wrong," we take the approach taken by that court, concluding that we are not bound by our sister circuit's ruling on the extent of our jurisdiction.

courts shall have original jurisdiction of *any civil action arising under any Act of Congress relating to patents*. . . " (Emphasis added.) For this court to have jurisdiction, the "controlling fact" is that the district court's jurisdiction must have been based "in whole or in part" on section 1338, and the involved "civil action" must therefore have been one "arising under" an Act of Congress relating to patents. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429, 223 USPQ 1074, 1079 (Fed. Cir. 1984) (*in banc*).

"This is a substantial requirement. Immaterial, inferential, and frivolous allegations of patent questions will not create jurisdiction in the lower court, and therefore there will be no jurisdiction over these questions" in this court. S. Rep. No. 275, 97th Cong., 2d Sess. 19 reprinted in 1982 U.S. Code Cong. & Admin. News 11, 29 (Senate Report); see H.R. Rep. No. 312, 97th Cong., 1st Sess. 41 (House Report).

The district court correctly described its jurisdiction here as based on 28 U.S.C. §1332 and 15 U.S.C. §§4, 15 and 26. That description would not control, if, unlike the present case, jurisdiction could *also* have been properly based in part on section 1338.⁸ "As arbiter of our own jurisdiction, we necessarily have the power to decide the threshold question whether the district court has jurisdiction under section 1338 independently of the conclusion reached by the district court." *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 877, 219 USPQ 197, 200 (Fed. Cir. 1983). To say otherwise would produce an absurd result, for our jurisdiction would then turn on statements of the district court. Similarly, a careful examination of the FCIA and its legislative history establishes the absurdity of supposing that Congress intended our jurisdiction, or that of the district court on which ours depends, to turn on whether a patent question is raised in

⁸ As the Seventh Circuit correctly noted, our appellate jurisdiction "depends on whether the jurisdiction of the district court *could* have been based on §1338." 798 F.2d at 1058 n.9, 230 USPQ at 846 n.9 (emphasis in original). That is, that the district court's jurisdiction may also have been based on other grounds has no bearing on our jurisdiction. Cf. *Chemical Eng'g Corp. v. Marlo, Inc.*, 754 F.2d 331, 333, 222 USPQ 738, 740 (Fed. Cir. 1984). As explained in the text, the district court's jurisdiction could *not* have been based even "in part" on Christianson's argument against Colt's trade secret defense. Arguments are not the source of a court's jurisdiction.

an argument against a defense on cross-motions for summary judgment in an antitrust suit.

(b) Patent Law Uniformity — Patent Issues

Though this court's exclusive substantive jurisdiction encompasses six major areas of national law in which Congress desired greater uniformity, of which patent law is but one, the Seventh Circuit correctly noted the congressional emphasis on the need for greater uniformity in patent law and for freeing the judicial process from the forum shopping caused by conflicting patent decisions in the regional circuits. See Senate Report, at 5-6, reprinted in 1982 U.S. Code Cong. & Admin. News at 15-16; House Report, at 20-23. Though the Seventh Circuit said that congressional concern "inform(s) our analysis of the jurisdictional question," 798 F.2d at 1058, 230 USPQ at 846, that court went on to assume frustration of that concern if this court did not hear every appeal involving in any manner any patent question. Similarly, Colt says this court has jurisdiction because of what it calls the "principle of patent law uniformity", and because this appeal involves a "patent issue" decided adversely to Christianson in *Springfield*.⁹

As said in *Atari*, "Achievement of increased uniformity in the substantive law of patents does not require that this court get its hands on every appeal involving an allegation that a patent law issue is somehow involved." 747 F.2d at 1429, 223 USPQ at 1078 (emphasis added). "Congress was not concerned that an

⁹ Colt is wrong, and should know it is wrong. Congress, as indicated in the text, expressly avoided any such "principle" in granting case, not issue, jurisdiction, and Christianson was not a part to the *Springfield* appeal, in which no "patent issue" was decided by this court.

That the district court consolidated the *Springfield* case with this case for purposes of discovery and trial does not create jurisdiction in this court. The present case is unlike that in *Interpart Corp. v. Italia*, 777 F.2d 678, 680, 228 USPQ 124, 125-26 (Fed. Cir. 1985), where this court held it had jurisdiction over an appeal from a final judgment in a case of consolidated patent and nonpatent actions between the same parties. Here, unlike *Interpart Corp.*, the actions were not between the same parties, and, if both had been tried, separate judgments would have presumably been entered. Thus, consolidated here does not produce the effect produced by a filing of a patent action as a counterclaim. See *In re Innodron Diagnostics*, 800 F.2d 1077, 1080, 231 USPQ 178, 180 (Fed. Cir. 1986).

occasional patent law decision of a regional circuit court, or of a state court, would defeat its goal of increased uniformity in the national law of patents." *Id.* at 1432, 223 USPQ at 1081.¹⁰

Carried to its logical end, the reasoning that this court has jurisdiction because a patent law issue is involved in sustaining or defeating Colt's defense, and thus indirectly and possibly defeating or sustaining Christianson's eventual antitrust recovery, would lead to absurd results. Applied to a state law contract suit on a patent license, with district court jurisdiction based solely on diversity (and thus not even in part on section 1338), that reasoning would direct the appeal here if the defense was noninfringement or patent invalidity. Even more absurdly, the logic of that reasoning would require removal to the district court and appeal to this court of that contract suit when diversity was absent. Indeed, application of that reasoning would produce the same absurd result if Christianson's present suit had been brought under Illinois antitrust law.

This court has recognized that "state courts may decide patent questions," *In re Oximetrix, Inc.*, 748 F.2d 637, 641, 223 USPQ 1068, 1071 (Fed. Cir. 1984) (citing *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 221 USPQ 1121 (Fed. Cir. 1984)); see *In re Snap-On Tools Corp.*, 720 F.2d 654, 655, 220 USPQ 8, 9 (Fed. Cir. 1983), as has the Supreme Court, *Lear v. Adkins*, 395 U.S. 653, 162 USPQ 1 (1969) (state courts may decide patent validity issue in license suit). If state courts may decide patent questions, it escapes our ken how it can be said, or that Congress said, that regional circuits may never do so.

¹⁰ The regional circuits are, of course, perfectly competent, as are state courts, to determine patent "questions" or "issues" that may occasionally arise in cases within their jurisdiction. "Uniformity" is not necessarily thereby abandoned. As indicated in *Atari*, 747 F.2d at 1440 n. 15, 223 USPQ at 1087 n. 15, the regional circuits might elect to apply the patent precedents of this court in such cases, just as this court applies regional circuit precedents in areas of law and procedure not within its exclusive jurisdiction.

As was made clear in *Atari*, Congress specifically and expressly rejected proposals that this court have "issue" jurisdiction and that appeals involving patent and nonpatent issues be bifurcated.¹¹ Rather, Congress granted this court jurisdiction over all appeals in "§1338 cases". Accordingly, this court decides all issues, including nonpatent issues, in a "case" that is properly within its jurisdiction. See, e.g., *Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 875-78, 228 USPQ 90, 99-102 (Fed. Cir. 1985) (antitrust liability); *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 909-21, 223 USPQ 982, 986-95 (Fed. Cir. 1984) (trademark infringement). Having granted this court "case" and not "issue" jurisdiction, Congress clearly left cases merely involving defenses that raise patent issues in the regional courts of appeals, because the district court's jurisdiction in those cases is based solely on diversity, or on other grounds, and not "in whole or in part on section 1338."

In sum, what counts is not the mere presence or absence of patent "issues"; what counts is whether the district court's jurisdiction was based in whole or in part on section 1338. When it is, patent issues will be present; but the reverse is not true, for the mere presence of patent issues has no power to create jurisdiction in the district court. We find no basis or rationale, therefore, for an expanded, open-ended view that this court has been granted jurisdiction over all appeals in cases that contain patent issues, in talismanic reliance on "patent law uniformity" or otherwise.¹² As indicated, the legislative history indicates that this court has not been granted such broad and easily manipulated jurisdiction.

¹¹ See *United States v. Hohri*, 55 U.S.L.W. at 4717 n. 3.

¹² The view that this court should "take" jurisdiction whenever that would facilitate "patent law uniformity", see Hale, *The "Arising Under" Jurisdiction of the Federal Circuit: An Opportunity for Uniformity in Patent Law*, 14 Fla.St.U.L.Rev. 229, 265 (1986), disregards the jurisdiction-granting role of the Congress. Accord 3 D. Chisum, *Patents* §11.06(3), at 11-106.8 (1986).

(c) Traditional "Arising Under" Jurisdiction

Congress said cases are within this court's patent jurisdiction "in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." House Report, at 41; see 28 U.S.C. §1331 (1982).¹³

The Seventh Circuit correctly noted here that our jurisdictional grant, 28 U.S.C. §1295(a)(1) "incorporates the traditional rules of statutory 'arising under' jurisdiction." 798 F.2d at 1059, 230 USPQ at 846. The Ninth Circuit has also, noting that Congress was fully aware of the problems posed by traditional 'arising under' jurisdiction and "nonetheless chose to adopt the existing 'arising under' framework. We are not free to disregard this express congressional intent." *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1286 n.3, 223 USPQ 214, 216 n.3 (9th Cir.1984), cert. denied, 469 U.S. 1190 (1985).

Whether an action arises under federal law "must be determined from what necessarily appears in the plaintiff's statement of his own claim in the bill or declaration, unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose." *Franchise Tax Board of California v. Construction Laborers Vacation Trust for Southern California*, 463 U.S. 1, 9 (1983) (emphasis added) (quoting *Taylor v. Anderson*, 234 U.S. 74, 75-76 (1914)); see also *Gully v. First National Bank*, 299 U.S. 109, 113 (1936). The thus described well-pleaded complaint rule "severely limits the number of cases in which state law 'creates the cause of action' that may be initiated in or removed to federal district court, thereby avoiding more-or-less automatically a number of potentially serious federal-state conflicts." *Id.* at 9-10 (quoting *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) ("A suit arises under the law that creates the cause of action.") (Holmes, J.)).

¹³ 28 U.S.C. 1331 reads:

The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States.

A defense that raises a federal question is thus *inadequate* to confer federal jurisdiction, *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 106 S.Ct. 3229, 3232 (1986) (citing *Louisville & Nashville R.R. v. Mottley*, 211 U.S. 149 (1908)), "even if the defense is anticipated in the plaintiff's complaint, and even if both parties admit that the defense is the only question truly at issue in the case." *Franchise Tax Board*, 463 U.S. at 14 (emphasis added).¹⁴ That "has been settled law" since *Gold-Washing & Water Co. v. Keyes*, 96 U.S. 199 (1877). *Franchise Tax Board*, 463 U.S. at 14.

So here, Colt's trade-secret defense, at best anticipated in Christianson's complaint, cannot be said to create district court jurisdiction under section 1338, and thus cannot create this court's jurisdiction which, as Congress said, must be judged "in the same sense that cases are said to arise under federal law for purposes of federal question jurisdiction". House Report, at 41. That would be true if Colt's defense raised a question of federal law. It is even more compelling when one recognizes that Colt's trade secret defense raised *no* federal law question but rested entirely on state law, that section 112 appears only as a theory on which to overcome that defense.

The Supreme Court spoke, in *Franchise Tax Board*, of vindicating "a right under state law." In arguing against Colt's trade-secret defense, Christianson is attempting to vindicate no "right under state law" and no right under patent law. The Supreme Court said in *Smith v. Kansas City Title & Trust Co.*, 255 U.S. 180 (1921), that plaintiff's *complaint* must be looked to, not arguments on cross-motions for summary judgment. The complaint here seeks to vindicate Christianson's right to be free from Colt's violation of the antitrust laws. Noncompliance with section 112 is not a violation of those laws.¹⁵

¹⁴ The Supreme Court's language in *Franchise Tax Board*, "even if both parties admit that the defense is the only question truly at issue in the case", may be compared with that of the Seventh Circuit here, which emphasized Christianson's §112 argument against Colt's defense as "the crux of plaintiff's case."

¹⁵ Standing alone, the only effect of noncompliance with §112 is to deny a patent to an applicant or to invalidate an issued patent.

The Supreme Court has consistently held that cases do not "arise under" the patent laws merely because the case involves issues of a patent's validity and scope. See, e.g., *Luckett v. Delpark, Inc.*, 270 U.S. 496, 502 (1926); *American Well Works Co.*, *supra*; *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479 (1915); *The Fair v. Kohler Die Co.*, 228 U.S. 22 (1913); *Henry v. A.B. Dick Co.*, 224 U.S. 1 (1912); *Excelsior Wood Pipe Co. v. Pacific Bridge Co.*, 185 U.S. 282 (1902); *Wilson v. Sandford*, 51 U.S. (10 How.) 99 (1850).

The Supreme Court has held that a case arose under the patent laws when the "essential features (of the bill) were the allegation of an infringement and prayers for an injunction, and account for profits and triple damages, — the characteristic forms of relief granted by the patent law" in *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 481 (1915). It was cases involving such "essential features" that Congress had in mind when it enacted section 1338 and section 1295(a)(1). No such essential features are present in this case.

Nor do we suggest a new distinction between *issues* and *claims* under the patent laws. As early as 1897, in *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897), the Supreme Court annunciated that critical distinction and its effect on federal jurisdiction:

The action under consideration is not one arising under the patent laws under the United States in any proper sense of the term. To constitute such a cause the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right or privilege will be defeated by one construction, or sustained by the opposite construction of these laws. (Citations omitted.)

The state court had jurisdiction both of the parties and the subject-matter as set forth in the declaration, and it could not be ousted of such jurisdiction by the fact that, incidentally to one of these defenses, the defendant claimed the invalidity of a certain patent. To hold that it has no right to introduce evidence upon this subject is to

do it a wrong and deny it a remedy. Section (1338) does not deprive the state courts of the power to determine *questions* arising under the patent laws, but only of assuming jurisdiction of "cases" arising under those laws. There is a clear distinction between a case and a question arising under the patent laws. The former arises when the plaintiff in his opening pleading — be it a bill, complaint or declaration — sets up a right under the patent laws as a ground for a recovery. Of such the state courts have no jurisdiction. The latter may appear in the plea or answer or in the testimony. The determination of such question is not beyond the competency of the state tribunals.

168 U.S. at 259 (emphasis in original).

So here, because this court was granted "case" jurisdiction, *Atari*, 747 F.2d at 1435, 223 USPQ at 1084, the mere raising of a patent law "question" in a motion for summary judgment in an antitrust action ("case") cannot, under any test, cause that action to "arise under" the patent laws. It is equally incapable of causing the district court's jurisdiction to be based "in whole or part on section 1338" and cannot therefore give this court jurisdiction over an appeal.

Honoring Congress' intent that we adopt the traditional framework for determining whether an action arises under section 1338, this court, as well as other courts of appeals, have *explicitly* followed the principles annunciated in the noted Supreme Court cases. For cases in which this court found no jurisdiction, see *Schwarzkopf Development Corp. v. Ti-Coating, Inc.*, 800 F.2d 240, 231 USPQ 47 (Fed. Cir. 1986) (suit for royalties due under a patent license contract; district court jurisdiction based on diversity and not changed by transient counterclaim); *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 221 USPQ 1121 (Fed. Cir. 1984) (action seeking declaration that plaintiff owned two patent applications; complaint sounded exclusively in contract). See also *Gilson v. Republic of Ireland*, 787 F.2d 655, 229 USPQ 460 (D.C. Cir. 1986). For cases in which this court found jurisdiction, see *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 227

USPQ 352 (Fed. Cir. 1985) (licensee's suit for patent *infringement* by licensor arose under the patent laws); *Air Products and Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559, 225 USPQ 121 (Fed. Cir.) (court must review plaintiff's pleadings, with special attention to relief requested; complaint averred infringement and sought injunctive relief), *cert. dismissed*, 106 S.Ct. 22 (1985).

In *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255 (1897), and in *Excelsior Wood Pipe Co. v. Pacific Bridge Co.*, 185 U.S. 282 (1902), the Supreme Court looked to whether plaintiff had asserted at least some right or privilege that would be defeated by one or sustained by an opposite construction of those laws. The assertion of such a "right or privilege" was looked to in *Beghin-Say International, supra*, (no jurisdiction) and in *Dubost v. United States Patent and Trademark Office*, 777 F.2d 1561, 1564-65, 227 USPQ 977, 979 (Fed. Cir. 1985) (jurisdiction found).

The "right or privilege" referred to, however, must appear on the face of the complaint, unless it can be shown that plaintiff is avoiding reference to it to evade federal jurisdiction. See *Franchise Tax Board*, 463 U.S. at 22. Use of "defeated or sustained" has proven unfortunate, for those words have been seized upon here to implicate *defenses* and has thereby led to the misconception that the mere presence of a patent issue created by a defense (or even, as here, by an argument against a defense) makes the case one over which the district court's jurisdiction is based on section 1338. To take that view would be to convert an inquiry into jurisdiction over Christianson's complaint and action into an inquiry into jurisdiction over Colt's defense and Christianson's response to that defense.

It would have been more clear, and more in accord with the well-pleaded complaint rule, if the phrase had been "plaintiff must have asserted in the complaint some right or privilege *the existence of which* would be defeated by one or sustained by an opposite construction" of the patent laws. The rule was never intended to permit a court's jurisdiction to be determined by what is said in a defense or in resisting a defense, or by whether

a plaintiff would *win* with one construction or *lose* with another. "Defeated or sustained" relates to what is present, expressly or by necessary implication, in the complaint, *not* to the outcome of the law suit.¹⁶

One thing clear in our cases is that this court has adhered to the well-pleaded complaint rule¹⁷ and to Congress' warning that a "canon of construction" requires that "courts strictly construe their jurisdiction." Senate Report, at 18-19, *reprinted in* 1982 U.S. Code Cong. & Ad. News at 28-29. The court has looked to determine whether the complaint does in fact seek relief provided for by the patent laws or states a right, the existence of which turns on construction of the patent laws. See *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331, 222 USPQ 738 (Fed. Cir. 1984). Christianson nowhere seeks relief provided by the patent laws and its complaint states no right the existence of which turns on construction of the patent laws.

Unwarranted deviation from the well-pleaded complaint rule would undermine Congress' wise provision that our jurisdiction be normally determined at the earliest stage of litigation, *i.e.*, at the complaint stage. *Interpart Corp. v. Italia*, 777 F.2d 678, 680, 228 USPQ 124, 126 (Fed. Cir. 1985). "To impart certainty throughout the entire process of filing, pretrial, trial, and post-trial motions, appellate jurisdiction should normally be known and remain unaffected." *Atari*, 747 F.2d at 1432, 223

¹⁶ Obviously, no "construction" of §112 is required here. If it be found *as a fact* that Colt did or did not comply with §112, that may affect the particular argument made by Christianson against Colt's trade secrets in arguing Christianson's summary judgment motion for trade secret invalidity, but it could itself neither defeat nor sustain the existence of any "right or privilege" of Christianson.

¹⁷ We reject suggestions that we should simply disregard the well-pleaded complaint rule. See Adams, *The Court of Appeals for the Federal Circuit, More Than a National Patent Court*, 49 Mo. L. Rev. 43, 69 (1984). "(I)t is clear from the language of the (FCIA) and its legislative history that the well-pleaded complaint rule does limit the patent jurisdiction" of this court. *Id.*

USPQ at 1081; *see also* 3 D. Chisum, *Patents* §11.06(3), at 11-106.8 (1986) (advantage knowing from beginning of suit where appellate jurisdiction lies in that trial judge and counsel can focus on controlling circuit case law). Adherence to the well-pleaded complaint rule may thus provide the same advantage of early determination of jurisdiction between this court and a regional circuit court that it has traditionally provided in early determination of jurisdiction between state and federal courts.

To say that jurisdiction can be based on an argument made on a motion for summary judgment would not only violate the well-pleaded complaint rule but would open the door to the manipulation of jurisdiction and the evils of forum shopping, a door Congress thought it was closing when it enacted the FCIA.

(d) What is Christianson's Cause of Action?

Assessing the scope of the patent laws in determining whether particular causes of action arise under those laws, is a task not always free of difficulty. See *Alco Standard Corp. v. Tennessee Valley Authority*, 808 F.2d 1490, 1504, 1 USPQ 2d 1337, 1347 (Fed. Cir. 1986) (Nies, J., concurring); *Alco Standard Corp.*, 808 F.2d at 1511, 1 USPQ2d at 1352-53 (Rich, J., dissenting); *Wyden v. Commissioner of Patents and Trademarks*, 807 F.2d 934, 937, 231 USPQ 918, 921 (Fed. Cir. 1986) (Markey, C.J., dissenting); *Dubost v. United States Patent and Trademark Office*, 777 F.2d 1561, 1568, 227 USPQ 977, 982 (Fed. Cir. 1985) (Newman, J., dissenting). A more fundamental and threshold task is less difficult, however. That task is to determine what actual cause of action is alleged in the complaint.

In its motion to dismiss, Christianson argues that its cause of action does not even *depend* on a "construction of a patent law":

[I]nvalidating Colts patents, its alleged trade secrets, or seeking a construction of §112, was not even one of plaintiffs' theories for recovery, let alone its "only" theory. The complaint sought recovery because Colt put plaintiffs out

of business by organizing a group boycott, a classic antitrust violation. Additionally, either as an independent ground for recovery, or as an aggravation of the antitrust violations, the complaint alleges that Colt unilaterally revoked its permission previously granted to plaintiffs to deal in M-16 parts. The issue of trade secret invalidity under §112 arose only after Colt pleaded its alleged trade secrets as a defense to the antitrust violations. (Citations omitted.)

Apparently unaware that jurisdiction cannot be created by counsel's theories in briefs or motions, Colt says "virtually every page of (Christianson's) brief in this court and of their motion below was based on the §112 theory." Making only one reference to the complaint, Colt says it "makes explicit reference to the alleged invalidity of Colt's patents 'through the wrongful retention of proprietary information in contravention . . . §112' (complaint ¶ 18)," arguing in effect that the complaint here should be treated as though it were a complaint in an action for declaratory judgment of patent invalidity. Though its language is convoluted, Paragraph 18 contains at most an anticipation, and only an anticipation, of Colt's *trade-secret* defense.

A careful review of the complaint reveals that Colt and the Seventh Circuit have given undue weight to a misinterpretation of its disjointed and inartful Paragraph 18. The key sentence relied upon merely states that "*Unless* such patents were invalid through the wrongful retention of proprietary information in contravention of . . . 35 U.S.C. §112, in 1980, when such patents expired, anyone 'who has ordinary skill in the rifle making art' is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years." (Emphasis added.) The sentence states a non-sequitur, for anyone is free to use the inventions in expired patents, whether those patents had been valid or invalid and whether section 112 had or had not been complied with. The paragraph refers only to expired patents, assumes that the patents had been valid, and in no way seeks a declaration of invalidity of any patent. That the district court in its final judgment said Colt's patents were invalid could not *retroactively* establish that the

district court's jurisdiction over the complaint and action was based on section 1338, and could not serve to manipulate the jurisdiction of this court in this case.

Our interpretation of Paragraph 18 is confirmed by Colt's response to it, wherein, as above indicated, Colt "*admits that Colt's patents are valid.*" (Emphasis added.) The misinterpretation of Paragraph 18 by Colt and the Seventh Circuit results in creation of just the kind of "inferential allegation" Congress did *not* want used to manipulate our jurisdiction. Senate Report, at 19, *reprinted in* 1982 U.S. Code Cong. & Admin. News at 29; *see* House Report, at 41.

The complaint reveals that Christianson attempted to allege only the ingredients of an antitrust violation as its cause of action. Christianson seeks relief under the antitrust laws because Colt has "embarked on a course of conduct to illegally extend its monopoly position with respect to the described patents and to prevent ITS from engaging in any business with respect to parts and accessories of the M-16." (¶ 22) The Seventh Circuit's statement that that conduct is "inconsistent with the objectives of the patent system," 798 F.2d at 1061, 230 USPQ at 848, is difficult to understand in the context of assessing this court's jurisdiction. Christianson had to and did mean that Colt was using an invalid claim to *trade secrets* to extend its monopoly, but this court was simply not granted jurisdiction of appeals from antitrust judgments whenever the antitrust offense alleged was the employment of trade secrets. That is true regardless of the theory on which plaintiff responds to the trade secret defense (trade secrets lost because based on public information, because of inadequate security measures, or because of failure to disclose them in patents).

In numerous subparagraphs, Christianson's complaint alleged specific acts by Colt which supposedly violated the antitrust laws by forcing Christianson out of the M-16 parts market. None has the slightest thing to do with patent law (falsely telling customers and potential customers why they should not deal with Christianson; maintaining a lawsuit in bad

faith; acts contrary to permission Colt gave Christianson to deal in M-16 parts). Those allegations in the complaint were virtually ignored by the Seventh Circuit.

We agree with Christianson that the Seventh Circuit incorrectly disposed of its argument that the trade secret validity issue arose only *after* Colt asserted its trade secrets defense of the acts charged in the complaint. Respecting that argument, the Seventh Circuit said:

Because (Christianson's) only theory for the invalidation of the trade secrets was Colt's failure to comply with §112, Christianson's argument that (it) expected Colt to assert that *its patents were valid* cannot mean that he was anticipating a defense.¹⁴ Thus, we find that Christianson's argument that patent validity was a "defense" only serves to confirm that (it) was relying on Colt's alleged noncompliance with §112 as the basis for (its) own cause of action.

¹⁴ If Christianson is saying that Colt fully complied with §112, but, nonetheless, attempted to make a trade secret out of that which was in the public domain, then there is no reason for Colt to present the "defense" of patent validity, because both sides are then in agreement. In other words, the defendant's allegation of patent validity cannot be a defense to the plaintiff's allegation of patent validity.

798 F.2d at 1062, 230 USPQ at 849.

The primary difficulty with the foregoing is that "it ain't so." Christianson expected Colt to assert its *trade secrets* as a defense, not that its expired patents had been valid. Christianson could *not* for its cause of action be "relying on Colt's noncompliance with §112," because, as above indicated, such noncompliance in itself cannot provide a cause of action or a basis for relief to anyone. Finally, both sides *were* in agreement regarding patent validity, which was simply neither involved nor material, the invalidity of Colt's claim to trade secrets being sufficient to defeat Colt's defense.

That the only theory Christianson here presented for invalidating Colt's claim to trade secrets was Colt's non-compliance with section 112 is irrelevant to jurisdiction, for the obvious reason above stated, i.e., that Colt's state law trade secrets were raised solely as a defense.¹⁸ Thus the patent law would become involved only if and *after* Colt had made out a valid claim to those secrets under state law. See *Franchise Tax Board*, 463 U.S. at 13.

The Seventh Circuit's mistaken belief that Christianson said it anticipated Colt's defense of *patent validity*, when, as Christianson correctly argued, the complaint anticipated Colt's defense of *trade secrets*, may account in great part for its view that this court has jurisdiction over this appeal. The fact is clear on the record, in any event, that Christianson sought to defeat Colt's trade-secrets defense so Colt would have no plausible basis for attempting the group boycott alleged by Christianson as one of the bases for its antitrust suit.

Continuing its unfounded notion that "patent law uniformity" requires appeal here whenever a shadow of a shade of patent law appears anywhere in a case, Colt says this antitrust action arose under the patent laws because it can be "sustained" (sic, plaintiff can win) only by defeating Colt's trade secret defense on a section 112 theory. Thus Colt confirms the entry of the patent law, not even as a defense, but as merely an argument to overcome a defense.¹⁹

¹⁸ In seeking to defeat the defense of trade secrets because they should have been disclosed in its patents, Christianson relied on *Syntex Ophthalmics, Inc. v. Novicky*, 214 USPQ 272, 280 (N.D. Ill. 1982), *aff'd*, 701 F.2d 677, 219 USPQ 962 (7th Cir. 1983), distinguishing *Flick-Reedy Corp. v. Hydro-Line Mfg. Co.*, 241 F.Supp. 127, 140-41, 144 USPQ 566, 576 (N.D. Ill. 1964), *aff'd in part and rev'd in part*, 351 F.2d 546, 146 USPQ 694 (7th Cir. 1965), *cert. denied*, 383 U.S. 958 (1966). We need not and therefore do not comment on the correctness of the holdings in *Syntex* and *Flick-Reedy*.

¹⁹ Colt says its grant and withdrawal of permission to use the trade secrets is not an antitrust violation, and, incredibly, argues from that premise that this court has jurisdiction over this appeal.

As previously noted, that Christianson's *argument* may depend on an application of section 112 confers no jurisdiction in this court. The district court did not, as it could not, say the section 112 issue caused its jurisdiction to be "based in whole or in part on §1338." 28 U.S.C. §1295(a)(1). Colt's noncompliance with section 112 was clearly not part of the *prima facie* case set forth in the complaint, and is not Christianson's cause of action. The facts alleged setting forth Christianson's *antitrust* cause of action in the complaint require *no* construction of the patent laws.²⁰

The Seventh Circuit, in considering how Christianson's right might be affected by construction of the patent laws, lost sight of the right Christianson *was* "seeking to vindicate" in his complaint, which was a right to money damages and an injunction under the antitrust laws for numerous acts of Colt (group boycott, tortious interference, etc). The existence of that right would *not* be defeated or sustained by a construction of the patent laws. It was Colt's trade secret *defense* to one charge (group boycott) that would be defeated or sustained by a construction of the patent laws. Whether Christianson would win or lose on its argument against that defense could not possibly make Christianson's cause of action one arising under the patent laws or the district court's jurisdiction "based in whole or in part on §1338."

Looking to counsel's briefs and to post-complaint motions and arguments, the Seventh Circuit was led so far from Christianson's complaint as to render the well-pleaded complaint rule virtually meaningless in this instance. In the complaint, Christianson did not allege that the anticipated defensive assertion by Colt of its trade secrets, whether that claim was valid or invalid

²⁰ It may be helpful to recognize that no patent issue or question, under §112 or otherwise, would have been present at all if Colt had *not* elected to include its trade secret defense in its answer, or if Christianson had tried to overcome that defense on grounds other than noncompliance with §112.

under any law, would amount to an antitrust violation. It was only Christianson's theory of response to Colt's trade secrecy defense, not a "right or privilege" or any "cause of action" of Christianson, that raised a question about Colt's duty to disclose those particular trade secrets under the patent laws.

(2) The Interest of Justice

We have again concluded that this court has not been granted jurisdiction over an appeal from this type of summary judgment in an antitrust case, and that this court acted in the interest of justice when it transferred this appeal to the regional circuit court. However, now that the transferee court has transferred the case back to this court, new considerations arise.

The "interest of justice" provision in 28 U.S.C. §1631 was intended to require a balancing of a transfer to a court having jurisdiction against dismissal for lack of jurisdiction in the transferring court. Nonetheless, the present special circumstances equally implicate the need to act in the interest of justice. Our action here is, accordingly, strictly limited to these circumstances, in which we balance the institutional costs of deciding the case on the merits against the needs of the parties.

Because the Seventh Circuit and this court have each determined that the other has jurisdiction, it would at first appear that certification to the Supreme Court would be warranted, pursuant to 28 U.S.C. §1254(3). Much as we might welcome a definitive resolution of the present jurisdiction question, we equally abhor the burden on the Court, noting that it has accepted only four certified questions since 1946. *See* R. Stern, E. Gressman & S. Shapiro, *Supreme Court Practice* 460-61 & n.3 (6th ed. 1986). The relative rarity of the present issue and the added delay to the litigants argue against this court's adding to the already heavy workload of the Supreme Court by certification.

If this court were to grant Christianson's motion to dismiss, the district court's judgment, though it is erroneous, *infra*, would stand, unless the Supreme Court were to grant a petition for certiorari, review the jurisdiction question, and remand to the appropriate appellate court for its review on the merits. A dismissal of this appeal would therefore risk leaving the parties with no avenue of appellate review of the district court's judgment. For that reason, and because a dismissal would not be in the interest of justice, we deny Christianson's motion to dismiss.

Similarly, we will deny Colt's request that, if this court lacks jurisdiction, we re-re-transfer the appeal to the Seventh Circuit. A third transfer would subject the parties to a continuation of the back-and-forth battering they have experienced to date, and nothing would preclude the Seventh Circuit from ordering a fourth transfer, this court a fifth, etc. It would not therefore be in the interest of justice to again transfer the appeal to the Seventh Circuit.

The parties have briefed and argued in both circuit courts and have not yet received a disposition on the merits of the appeal. It is time they did. Recognizing the delay already experienced, we see no reason that would justify further delay. Notwithstanding a strong sense of discomfort occasioned by our view of our jurisdiction, and realizing that the Seventh Circuit would be equally uncomfortable, we have determined that a rule of necessity and the interest of justice due the parties compel us to resolve the questions presented on the merits of the judgment appealed from. In so doing, we are confident that the Seventh Circuit, had it elected to exercise its jurisdiction and decided the merits, would have reached the same result in light of the precedents we cite. Similarly, the present decision will be effective because the district court is bound by the Seventh Circuit's view that this court has jurisdiction.

(3) Summary Judgment

(a) Introduction

The ghost in the wings of this unusual case is the military procurement system, with its requirement for interchangeability of parts of weapons. Like others producing products for a customer that demands interchangeability, Colt developed certain information and mass-production practices needed to insure that all parts of all its M-16 rifles were interchangeable with corresponding parts. It is that manufacturing or production information and "know how" that constitute Colt's trade secrets. It is that mass-production information that Christianson seeks to acquire. Christianson does not seek simply to make, use, and sell the inventions disclosed and claimed in the expired patents in suit, which he is clearly free to do. Christianson's desire is to mass-produce M-16 rifles with all 160 parts completely interchangeable, a desire frustrated by Colt's trade secret protection on its mass-production data and drawings.

It is undisputed that one could not make the 160-part M-16 rifle from reading disclosures in patents on nine parts, even if those patents disclosed Colt's mass-production data on those parts. It is also undisputed that successful sales of a particular rifle, the M-16, require interchangeability of its 160 parts and that Colt actively conceals the mass-production information it has developed on dimensions and tolerances and the production drawings necessary to make corresponding parts interchangeable.

(b) The District Court

The district court found that one cannot copy Colt's "commercial product with little effort by the application of reverse engineering." 609 F. Supp. at 1182, 227 USPQ at 366. By "commercial product" the court necessarily meant the M-16 rifle, not the parts disclosed and claimed in the patents in this case. Colt's "commercial product" appears nowhere in any claim of any patent of record. Indeed, no claim in any patent of record relates to or even mentions the M-16 or any other particular rifle.

The district court noted that this case involves the "uncommon situation where interchangeability is an absolutely essential requirement of customers, amounting to a situation of life and death on occasion" and that the inventor knew that "dimension and tolerances necessary for interchangeability . . . were important at the time of filing the patent applications." *Id.* Those findings are correct in relation to mass production but irrelevant to the section 112 issue.

The court found that, because "the parts could not be employed in any other existing weapon," the *only* mode for practicing the parts inventions is to incorporate them "into the standard M-16 military rifle," and thus Colt's "crucial interchangeability specifications should have been disclosed in the patent." *Id.* The finding that the parts could not be employed in a weapon is clearly erroneous and finds no support in the record. The patents relate to no particular "existing" weapon.

Deeming Colt's failure to disclose its trade secrets a "flagrant abuse of the patent laws," the district court found it liable under Christianson's antitrust count, and then went on to hold Colt liable under the count charging tortious interference with contract and ordered the extensive relief summarized *supra* and reported at 613 F. Supp. at 331-32.

(c) Arguments of the Parties

Surprisingly, Colt does not argue the presence of genuine issues of material fact. Rather, Colt challenges the grant of summary judgment as a matter of law because the district court: focused on *no claim* in any Colt patent; relied on facts not in the record; misconstrued affidavit testimony; found anti-trust liability not requested in Christianson's summary judgment motion; and relied on unprecedented legal conclusions in invalidating Colt's trade secrets and in holding Colt liable. Each of those arguments is valid.

Christianson cites what it says is the uncontroverted testimony of Colt engineer Waterman that one of ordinary skill cannot "from the bolt assist patent" use the patented bolt assist in any weapon. The cited testimony actually states, however,

that one of ordinary skill could not "make a weapon that would have incorporated the bolt assist" simply from reading the bolt assist patent. The law is not so foolish as to require that a patent on a single part of a 160-part weapon must include instructions on how to make the *weapon*. Christianson's statement that the cited testimony was that the patented "bolt assist" could not be "incorporated in a weapon other than the M16" is at best disingenuous. No such testimony exists.

Christianson, as did the district court, emphasizes the testimony of Seth Bredbury, who said it would be a "massive" undertaking to design a rifle like the M-16 from the Colt patents. The relevance of and reliance on that testimony is difficult to understand. There is no "M-16 patent" of record, nor does any patent of record make any reference to "a rifle like the M-16." To design a 160-part "rifle like the M-16" from patents on nine parts would be not just a massive undertaking, it would be impossible. That the mass production of any product having 160 interchangeable parts is a "massive" undertaking cannot be doubted. It requires the development of dimensions, tolerances, and voluminous drawings. Colt undertook and succeeded in that massive-production effort, an effort Christianson desires lifted from its shoulders.

Christianson's arguments that the district court "was not limited to the words Colt chose in its patent claims" and that the claims are mere matters of "semantics," are contrary to the statute, 35 U.S.C. §112, second paragraph, and totally without merit.

(d) The Law

The district court's view that Colt violated section 112, by failing to disclose in each of its nine patents all its dimensions, tolerances, and production drawings needed to mass produce the M-16 rifle, rests on an error of law.

The legal requirement that a disclosure be enabling is set forth in the first paragraph of 35 U.S.C. §112:

The specification shall contain a written description of the invention, and of the manner and process of making and

using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Patents are not production documents, and nothing in the patent law requires that a patentee must disclose data on how to mass-produce the invented product in patents obtained on either individual parts of the product or on the entire product. *In re Strahilevitz*, 668 F.2d 1229, 1232, 212 USPQ 561, 563 (CCPA 1982); *In re Gay*, 309 F.2d 769, 774, 135 USPQ 311, 316 (CCPA 1962); *Douglas v. United States*, 510 F.2d 364, 366, 184 USPQ 613, 615 (Ct. Cl.), *cert. denied*, 423 U.S. 825 (1975); *Trio Process Corp. v. L. Goldstein's Sons, Inc.*, 461 F.2d 66, 74, 174 USPQ 129, 134 (3rd Cir.), *cert. denied*, 409 U.S. 997 (1972).

Thus the law has never required that a patentee who elects to manufacture its claimed invention must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention. Nor is it an objective of the patent system to supply, free of charge, production data and production drawings to competing manufacturers. And that is well, for such a requirement would be irrational. Many inventions are never manufactured; the decision to manufacture may be taken well after the patent has issued; printing a thousand or more documents in the patent would often be required. For those and other reasons, the law requires that patents disclose inventions, not mass-production data, and that patents enable the practice of inventions, not the organization and operation of factories. The requirement for disclosure of sufficient information to enable one skilled in the art to practice the best mode of the *claimed* invention is and has been proven fully adequate for over 150 years.

The "invention" referred to in the enablement requirement of section 112 is the *claimed* invention. *Lindemann Maschinenfabrik v. American Hoist and Derrick Co.*, 730 F.2d 1452, 1463, 221 USPQ 481, 489 (Fed. Cir. 1984) (the "question is whether

the disclosure is sufficient to enable those skilled in the art to practice the *claimed* invention") (emphasis added); *Raytheon Co. v. Roper Corp.*, 724 F.2d 951, 956, 220 USPQ 592, 596 (Fed. Cir. 1983), *cert. denied*, 469 U.S. 835 (1984).

The district court here supplied no analysis of the inventions claimed in the involved patents and no analysis of whether *those inventions* could be practiced without the dimensions, tolerances, and production drawings Colt developed for mass-producing one particular rifle. Indeed, there was *no testimony* and *no evidence* indicating that the disclosures in the involved patents do not enable one skilled in the art to practice the inventions disclosed and *claimed* in those patents. For that reason, Christianson's reliance on *White Consolidated Industries, Inc. v. Vega Servo-Control, Inc.*, 713 F.2d 788, 218 USPQ 961 (Fed. Cir. 1983) is misplaced, for there the nondisclosed matter was necessary to enable one to practice the *claimed* invention. *Id.* at 791, 218 USPQ at 963.

On the present record, therefore, there is nothing whatever to indicate that Christianson is unable to make and use the *claimed* inventions. Under the law, the question of whether Christianson is enabled by the patents to engage in mass production of the *claimed* inventions and to incorporate them in a particular rifle in a manner desired by a particular customer is simply and totally irrelevant.

As with enablement, so with best mode. *Plastic Container Corp. v. Continental Plastics of Oklahoma, Inc.*, 607 F.2d 885, 897, 203 USPQ 25, 37 (10th Cir. 1979) ("it is the best mode of carrying out the *claimed* invention that must be set forth pursuant to section 112") (Miller, J., sitting by designation) (emphasis in original), *cert. denied*, 444 U.S. 1018 (1980). The best mode requirement assures that inventors do not conceal the best mode known to them when they file a patent application, but the "best mode" is that of practicing the *claimed* invention. It has nothing to do with mass production or with sales to customers having particular requirements. In this case, interchangeability with M-16 parts appears nowhere as a limitation in any claim, and as Christianson concedes, the

patents make no reference whatever to the M-16 rifle. Thus the best mode for making and using and carrying out the *claimed inventions* does not entail or involve either the M-16 rifle or interchangeability. The "best mode" for making and using the claimed parts relates to their use in a rifle, any rifle. There is nothing anywhere in the present record indicating that any of the patents fail to meet that requirement. Again, there was no testimony or evidence relating to the best mode of practicing the *claimed inventions*.

Christianson complains of its inability to sell an M-16 rifle to an army. Its difficulty, however, is not with section 112, or with Colt's compliance with section 112.

The patent system has conferred on Colt no exclusivity or economic advantage respecting Colt's dimensions, tolerances, and drawings necessary for interchangeability. Colt's sole basis for protection of the production data and drawings it developed to achieve interchangeability lies in state trade-secrecy law. Because there is nothing of record to indicate that disclosure of its production secrets in its patents was required by section 112, there can be and is no conflict here between federal patent law and state trade-secrecy law, and thus no question of "preemption." For the same reason, Colt's non-disclosure of its trade secrets in its patent applications was not "inconsistent with the objectives of the patent system" and Colt is not "extending its exclusionary rights" in the patented inventions. Christianson has shown simply no basis whatever for arguing that Colt did not fulfill its section 112 *quid pro quo* in obtaining the involved patents.

The district court's only basis for invalidating Colt's claim to production trade secrets was its view that failure to disclose them constituted noncompliance with section 112. As above indicated, that was legal error, nothing of record having indicated that the disclosures in the involved patents failed to enable, or to supply the best mode, in relation to the inventions claimed in those patents. There is no evidence, nor is it argued, that Colt kept its *inventions* secret. Nor has it been shown that any of Colt's secrets were necessary parts of or needed to

practice Colt's inventions. Nor has it been shown that interchangeability was part of any of the claimed inventions. All that has been shown and argued is that Colt has not let Christianson have Colt's manufacturing techniques, a fact having nothing to do with section 112 or any other part of the patent law.

Thus there is no basis in this record for invalidating either Colt's claim to trade secrets or its patents. Nor is there a basis for the district court's rulings that noncompliance with section 112 preempts state trade secret law in this case, or that Colt is liable under the antitrust laws or for tortious interference with contract. A basis is equally lacking for the district court's dismissal of Colt's counterclaims. The summary judgment entered by the district court rests on legal error and must for that reason be reversed and vacated in its entirety.

(e) The Facts

Whether a patent disclosure complies with the best mode requirement of section 112 is a question of fact. Enroute to its grant of summary judgment, the district court resolved some disputed issues of material fact and disregarded others. Summary judgment was for that further reason improper.

As above indicated, the district court here noted this court's dicta about section 112 in its opinion in *Springfield*, but it disregarded these immediately ensuing lines of this court's opinion:

Springfield points to "admissions" of Colt's witnesses that M-16 specifications were necessary for making the M-16 rifle. However, as we understand it, the numerous Colt patents covered *parts* of the M-16, so that, at most, a best mode of each would be for *use* in the M-16 rifle — not for the M-16 itself. This would require an analysis, patent by patent, of the specifications (trade secrets) alleged to be essential in practicing each invention and/or meeting the best mode requirement; also a showing of why each individual invention could not be practiced and/or the best mode requirement satisfied in the absence of such specifications; further, whether such specifications were in existence at the time the Colt patent applications were filed. (Emphasis in original.)

CONCLUSION

This court was correct in its original transfer of this appeal to the Seventh Circuit. Compelled to decide the merits, however, we reverse the summary judgment granted to Christianson in its entirety, vacate portions of the summary judgment that are not grounded on the complaint and for which there is no support in the record, and remand the case to the district court for further proceedings not inconsistent with this opinion.

Christianson's motion to dismiss and Colt's request that a sanction be imposed on Christianson are denied.

**REVERSED IN PART, VACATED IN PART, AND
REMANDED.**

**United States Court of Appeals
for the Federal Circuit**

CHARLES R. CHRISTIANSON AND)
INTERNATIONAL TRADE SERVICES,)
INC., ETC.,)

Appellee,)

v.)

COLT INDUSTRIES OPERATING CORP.,)

Appellant,)

) Appeal No. 85-2644

NICHOLS, *Senior Circuit Judge*, concurring and dissenting

I join in the judgment of the court and in part (3) of the court's opinion. I think the district court's opinion was preposterous and must be reversed. It fails, among other things, to take into account the acts of the government as purchaser of the M-16. The United States could have obtained the M-16 rifle from its inventors and developers, as a sole source, or could have opened its procurement up to competition, breaking any monopoly derivable from United States patent law, state trade secret law, or otherwise. *Leesona Corp. v. United States*, 599 F.2d 958 202 USPQ 424 (Cl. Cl.), *cert. denied*, 444 U.S. 991 (1979). How does a supplier do wrong in doing what its customer wants, when the customer is the United States?

I am unable to join parts (1) and (2) because, with all respect, I think they deal with the jurisdictional problem in an incorrect manner. If it is true we lack jurisdiction (part 1), whence do we derive authority to do anything other than return the case once again to the Seventh Circuit, which has jurisdiction, if we do not?

I would reach the same result by a different route. Ever since Congress enacted the Tucker Act a century ago, Ch. 359, 24

Stat. 505 (1887) (current version at 28 U.S.C. §1491), there has existed a situation where the judicial power of the United States has been exercised in part by courts having jurisdiction within a single region over multiple subject matters, and in part by courts having nationwide jurisdiction over more limited subject matters. Such a partitioning has always meant a high degree of likelihood of conflicting claims to jurisdiction (or conflicting denials of it) along the lines of demarcation, in the borderline cases. They represent traps for the unwary, causes of added cost and delay in the disposition of litigation, and sometimes even discredit for the judiciary. An example, long antedating the Federal Courts Improvement Act, is *Amell v. United States*, 384 U.S. 158 (1966), in which the Supreme Court, reversing the Court of Claims, held that Congress had thought of civilian sailors on government-owned and operated vessels as civil servants who happened also to be seamen rather than seamen who happened also to be civil servants; thus their wage claim should be enforced under the Tucker Act, not the Suits in Admiralty Act. Numerous as such cases have been, we may suppose many more instances lurk in the interstices to illustrate again once more that only one law is universal: Murphy's Law. When the express language of the statutes does not provide answers, perhaps the legislative history will. When both are silent, the supposition, as in *Amell*, that Congress must have thought so and so, is pretty much a legal fiction. How much a fiction it was in *Amell*, Justice Harlan's able dissent will show. If Congress thinks, it leaves its thought recorded, but it could not possibly think of all the problems the future will bring. *United States v. Hohri*, 55 U.S.L.W. 4716 (U.S. June 1, 1987), is a more recent example of the problems which must ever arise under the Federal Courts Improvement Act or any other legislation along the same lines. It is more realistic to say that Congress relies on the good sense and good will of the judges to solve such problems when they arise, as they surely will, to make jurisdictional law using their own experience, study, and reflection, and their sense of what Congress sought to do, to reach some reasonable solution. If it would not do such violence to custom, I would even go so far as

to suggest that two courts differing about where jurisdiction lies, though it must lie in one or the other, should actually confer to agree, if possible, on what they should do.

It is not uncommon for two federal courts to make conflicting claims to the same subject matter. It is less common for each to assert the baby belongs on the other's lap. That is what we have here. It appears to me courts ought to accord a decent respect to the first fully articulated view about a question of this kind. That is the Seventh Circuit's view here, as our decision that preceded it was unpublished and gave no reasons. If the legislative intent was not expressly stated, and cannot be divined from legislative history all pointing one way, I think the first appellate court that speaks should be followed, unless its decision is obviously indefensible: the kind of decision so bad it would not rate as "law of the case." That we, if writing on a clean slate, would write differently, is not ground enough to reject the Seventh Circuit's conclusions here if they are ones that reasonable judges could arrive at. If we approach our task that way, the absurd result of each court returning the case to the other can be avoided.

I do not think the Seventh Circuit's decision in this case is one no reasonable judge would have made. It struck me as quite persuasive when I first read it. Now I know a powerful counter argument is possible, because I have just read one, but I do not see this case as open and shut for either conclusion.

What happened in the district court seems to be that the judge adopted, on summary judgment, a line not pointed out in the pleadings of either side. It seems obvious to me that a new "well-pleaded complaint," written by one who wished to call up the court's ultimate conclusion, is the one we must postulate. As the Seventh Circuit points out, the "well pleaded complaint" of the cases is not necessarily the actual complaint. It is the supposititious complaint that would have supported the relief sought. Such a complaint here would support jurisdiction under section 1338. It asserts a right or privilege that would be defeated by one or sustained by an opposite construction of the patent laws. *Beghin-Say International Inc. v. Rasmussen*, 733

F.2d 1568, 1570, 221 USPQ 1121, 1123 (Fed. Cir. 1984). I believe such a "well-pleaded complaint" here would have used the patent law offensively. The hypothetical pleader would complain of a breach of the patent law by Colt's failure to publish an enabling disclosure so the pleader could make an M-16 rifle. (This is absurd, but it is the ground the court went off on.) This enabling disclosure would have included all the "trade secrets." Therefore, the court must require Colt now to do what it ought to have done earlier, *i.e.*, make the secrets available now. In deciding whether this is a claim to a right under the patent laws, we must not be misled by its sheer preposterousness, or its novelty. The fact the district court's decision was based on a mere "argument" is not decisive if the court could and should have called for an amended complaint. If the suit started as one under the antitrust laws, it was now one no longer, or not solely. It has become one to enforce a right allegedly created by the patent statute. The antitrust laws could not be the source of a complaint that the specification disclosures were inadequate, and the whole antitrust case collapses if the disclosures were in fact all the patent law required.

If this analysis is not the only possible one, I think it cannot be called frivolous, or absurd, or "clearly wrong." It does not require me to agree that our first decision rejecting jurisdiction was, as the Seventh Circuit said, "clearly wrong" either. I do not see how they knew this if they did not know its reasoning. We must choose. But it seems a little unnatural to me to treat the "well-pleaded complaint" rule as requiring us to leave uncorrected a decision under the patent laws as destructive to the rights of patentees as the one we review here.

Appendix B

In the United States Court of Appeals For the Seventh Circuit

No. 86-1145

CHARLES R. CHRISTIANSON AND INTERNATIONAL TRADE
SERVICES, INC., a Massachusetts corporation,

Plaintiffs-Appellees,

v.

COLT INDUSTRIES OPERATING CORPORATION,

Defendant-Appellant.

Appeal from the United States District Court
for the Central District of Illinois, Rock Island Division.
No. 84 C 4056—Robert D. Morgan, Judge

ARGUED MAY 8, 1986—DECIDED AUGUST 19, 1986

Before CUMMINGS, *Chief Judge*, BAUER, *Circuit Judge*,
and ESCHBACH, *Senior Circuit Judge*.

ESCHBACH, *Senior Circuit Judge*. The primary question we address in this appeal is whether this court has appellate jurisdiction over the dispute. For the reasons stated below, we will hold that the instant case "arises under" the patent laws of the United States and, therefore, that exclusive jurisdiction over the appeal from the district court's decision lies in the Court of Appeals for the Federal Circuit under 28 U.S.C. § 1295. We will order the case transferred pursuant to 28 U.S.C. § 1631.

I

In 1959, the defendant-appellant, Colt Industries Operating Corporation ("Colt") acquired a license from another company for sixteen patents and other rights relating to the seller's "AR-10" and "AR-15" rifles. Colt refined these designs and developed a weapon, known as the "M16," that was adopted by the United States Army in 1964 as its standard small-arms rifle. It remains the standard today. Colt granted the Army a manufacturing license to produce the weapon, and entered into contracts with various suppliers in the United States for the manufacture and sale of component parts of the rifle. The defendant also sells the M16 to non-military customers, such as law enforcement agencies, and to several foreign governments and has provided a number of foreign governments with manufacturing licenses; most of the latter agreements, however, have expired.

Colt produces several versions of the M16. In the course of refining the weapon, the company has obtained additional patents, some of which have been incorporated into the weapon. Many of these patents have expired. However, much of Colt's engineering work for the M16 was not for patents, but for the refinement of the specifications of the components of the rifle, because it was essential that all parts function effectively, be mass-producible, and remain interchangeable. Much of the work on the weapon has been devoted to the selection of materials and the development of tooling, testing, and manufacturing processes to control the tolerances of the rifle's parts.

Colt seeks to maintain the secrecy of these conventional (*i.e.*, nonpatentable) techniques in a number of ways. It places proprietary legends on its drawings, which state that the information contained therein is owned by Colt and cannot be disclosed to third parties. In its contracts, Colt prohibits its suppliers and licensees from using the drawings outside the scope of their agreements and from disclosing the information to third parties. Colt also sends letters to its suppliers reminding them of their obligations.

Its employees must agree not to disclose, even after they leave Colt, the confidential information they obtain while working for the defendant. The company has sent cease-and-desist letters and initiated legal proceedings against those parties it considered to be misappropriating this allegedly proprietary information.

Prior to the instant case, Colt filed in 1983 a suit in the United States District Court for the Central District of Illinois against Springfield Armory, Inc., and a related corporation, Rock Island Armory, Inc., (referred to collectively as "Springfield"), to enjoin the performance of a contract Springfield had for the sale of M16-type rifles to El Salvador. Colt claimed that it would be irreparably damaged by Springfield's alleged infringement of Colt's patents and alleged unauthorized use of Colt's drawings and proprietary information, which Colt claimed were trade secrets and its exclusive property. Springfield sought to show that it had "reverse engineered" the weapon. After a hearing, the district court found that Springfield had simply copied Colt's proprietary documents and granted a preliminary injunction against Springfield.

After the injunction was issued, Colt added Charles Christianson (a former Colt employee) and Christianson's company, International Trade Services, Inc., (referred to collectively as "Christianson") as parties to the *Springfield* action on the ground that Christianson was the source of information for Springfield. Colt voluntarily dismissed its complaint against Christianson after the district court denied Colt's motion for a preliminary injunction against Christianson.

Springfield sought review of the preliminary injunction before the Federal Circuit. Springfield did not pursue the "reverse engineering" theory on appeal, but argued instead that, because the weapon could not be reverse engineered, Colt should have revealed the dimensions, tolerances, and specifications of the rifle in approximately 30 patent applications in order to satisfy the disclosure re-

quirements of 35 U.S.C. § 112.¹ The Federal Circuit stated that Springfield's § 112 arguments, particularly those related to "best mode," "have an appearance of validity" (citing *White Consolidated Industries, Inc. v. Vega Servo-Control, Inc.*, 713 F.2d 788 (Fed. Cir. 1983)), but found that "the evidence of record is almost totally lacking in specifics." The court noted further:

[A]s we understand it, the numerous Colt patents covered parts of the M-16, so that, at most, a best mode of each would be for use in the M-16 rifle—not for the M-16 itself. This would require an analysis, patent by patent, of the specifications (trade secrets) alleged to be essential in practicing each invention and/or meeting the best mode requirement; also a showing of why each individual invention could not be practiced and/or the best mode requirement satisfied in the absence of such specifications; further, whether such specifications were in existence at the time the Colt patent applications were filed.

Thus, the Federal Circuit found that these facts would have to be developed further and in a brief unpublished order affirmed the preliminary injunction granted in favor of Colt. *Colt Industries Operating Corp. v. Springfield Armory, Inc.*, No. 84-559 (Fed. Cir. Apr. 19, 1984).

In the meantime, Christianson filed the instant action against Colt. Its complaint was not artfully drafted. Even a cursory examination of the pleading suggests that little attention was given to some rather important details. For example, in the prayer for relief under the antitrust claim

¹ 35 U.S.C. § 112 provides in relevant part:

The specification [required by 35 U.S.C. § 111] shall contain a written description of the invention, and the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

the plaintiff asks for "trouble damages." In addition, given the complexity of the factual and legal questions presented, the complaint is astoundingly brief. Nonetheless, the following allegations emerge: Colt controls nearly all of the domestic and foreign manufacture, marketing, and sale of 5.56mm automatic assault and semi-automatic rifles that fall within the M16 designation and also controls the domestic and foreign market for the manufacture, marketing, and sale of M16 parts and accessories. Colt had licensed the United States government and others with respect to the patents held by Colt for the M16, but the licenses extended beyond the patents. In addition, the complaint alleged:

As of 1980, the basic patents with respect to the Colt rifle within the M-16 designation and many of the Colt improvement patents on such rifle within the M-16 designation had expired.

The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. § 112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

[Christianson] and anyone else has the right to manufacture, contract for the manufacture, supply, market and sell the M-16 and M-16 parts and accessories thereof at the present time.

Complaint ¶¶ 17-19.

In 1976, prior to the expiration of the Colt patents, Christianson expended funds for tooling to be used in the manufacture of M16 parts and accessories, and Colt initially gave Christianson permission to produce these products. Until shortly before May of 1984, Christianson was engaged in the manufacture of M16 parts and accessories. However, according to the complaint:

Contrary to the permission extended to [Christianson] to sell Colt parts and accessories and in violation of the anti-trust laws of the United States . . . , Colt has embarked upon a course of conduct to illegally extend its monopoly position with respect to the described patents and to prevent [Christianson] from engaging in any business with respect to parts and accessories of the M16. . . .

Complaint ¶ 22.

The complaint describes various actions taken by Colt, such as the sending of letters to actual and potential customers of Christianson to discourage them from dealing with Christianson and the filing of lawsuits to enforce its monopoly. In addition, it alleged that Colt:

[s]ent additional correspondence to customers and potential customers of [Christianson] asserting illegally its claimed rights over M-16 drawings, specifications and parts and accessories to the M-16, and falsely stating that "Colt's right" to proprietary data had been "consistently upheld in various courts."

Complaint ¶ 22(c).

As a result of these activities, Christianson was driven out of business. Alleging that its demise caused a generalized injury "in the domestic and foreign marketplaces and assured Colt of the maintenance of its unlawful monopoly of the manufacture, marketing and sale of" M16s and their parts and accessories, Christianson sought recovery under §§ 4 and 16 of the Clayton Act, 15 U.S.C. §§ 15 and 26 (by reason of Colt's violation of §§ 1 and 2 of the Sherman Act, 15 U.S.C. §§ 1 and 2), in the form of damages, injunctive relief, attorney's fees, and any other relief the court may deem proper.²

² Christianson later amended the complaint to add a second count alleging that Colt tortiously interfered with Christianson's contracts and prospective economic advantages.

In its answer, Colt denied generally Christianson's allegations and set up seven affirmative defenses. With reference to the patent disclosures, however, Colt admitted that "anyone with ordinary skill in the art is entitled to and is able to use any and all of Colt's expired patents for any legitimate purpose." Answer ¶ 18. Colt also included in its answer eleven counterclaims for breach of contract, unfair competition, misappropriation of trade secrets and trademarks, and tortious interference with contractual relations.

The case was scheduled for trial in late 1984. However, that schedule was cancelled on the representation of the parties that they would file cross-motions for summary judgment. The district court ruled on these motions on May 24, 1985. The court stated in its order that "[t]he complaint alleges that Colt has employed [restrictive clauses in its contracts] in an attempt to deny to any others the right to manufacture such rifles and parts notwithstanding the fact that Colt's patents have been expired for several years. It is alleged that Colt attempts, by such practices, to foster and maintain its monopoly position in the manufacture and merchandising of the products as if its patents still remained in force." It observed that "[t]he thrust of plaintiff's [summary-judgment] motion is the position that Colt cannot assert its claims of trade secrecy against plaintiffs because it had, in its now-expired patents, failed to make the full disclosures of its claims of invention as required by 35 U.S.C. § 112."

The court concluded that the disclosures made by Colt in obtaining its patents satisfied neither the "enablement" nor the "best mode" requirements of 35 U.S.C. § 112, so that the patents were invalid *ab initio* and that any claim of trade secrecy based on the undisclosed information was also invalid. Thus, it granted Christianson's motion for summary judgment as to liability and denied Colt's motion. On July 19, 1985, the district court entered its "Final Judgment on Liability," in which (1) it was ordered that a trial be held to determine the damages Christianson sustained as a result of Colt's anticompetitive activ-

ities, (2) nine of Colt's patents were invalidated "from their inception," and (3) all trade secrets regarding the M16, whether connected with the patents or not, were declared void and unenforceable. Colt was enjoined from asserting or seeking to enforce its now invalid trade secrets, ordered to preserve the technical information it had about the M16, and directed to remove its proprietary legends and confidentiality designations from its documents.

Colt originally filed this appeal under 28 U.S.C. §§ 1292(a)(1) and 1295 in the Federal Circuit. Christianson, however, moved for a transfer under 28 U.S.C. § 1631 on the ground that the claims of the complaint did not "arise under" the patent laws. The Federal Circuit, in an unpublished order dated December 4, 1985, granted Christianson's motion. The appeal was then transferred and argued before this court.

II

This court, like all federal courts, has a continuing obligation to determine whether it has subject-matter jurisdiction over the disputes coming before it. See *Bender v. Williamsport Area School District*, ___ U.S. ___, ___, 106 S. Ct. 1326, 1331 (1986); *Allen v. Ferguson*, 791 F.2d 611, 615 (7th Cir. 1986); *Professional Managers' Association v. United States*, 761 F.2d 740, 745 n.3 (Fed. Cir. 1985). Since the inception of the federal judiciary, it has been the settled rule that a court must make a determination of jurisdiction *sua sponte* when it first receives a case, and at any time thereafter in the course of the litigation should jurisdiction appear questionable.³ *Louisville &*

³ We are, of course, invested with an inherent "proto-jurisdiction" to determine whether we have subject-matter jurisdiction. See *Bender v. Williamsport Area School District*, ___ U.S. ___, ___, 106 S. Ct. 1326, 1331 (1986); *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 7, 103 S. Ct. 2840, 2845 (1983); *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874, 877 (Fed. Cir. 1983).

Nashville Railroad Co. v. Mottley, 211 U.S. 149, 29 S. Ct. 42 (1908); *Mansfield, Coldwater & L.M. Railroad v. Swan*, 111 U.S. 379, 4 S. Ct. 510 (1884); *Capron v. Van Noorden*, 6 U.S. (2 Cranch) 126 (1804); see also *Wisconsin Knife Works v. National Metal Crafters*, 781 F.2d 1280, 1282 (7th Cir. 1986); *Dubost v. United States Patent & Trademark Office*, 777 F.2d 1561, 1564-65 (Fed. Cir. 1985); *Van Drasek v. Lehman*, 762 F.2d 1065 (D.C. Cir. 1985); *Professional Managers' Association*, 761 F.2d at 743. The uncritical recitation of a jurisdictional basis, whether made by either a lower court or a party, is not controlling, no more than is the parties' stipulation of jurisdiction in a federal tribunal. See *Mansfield*, 111 U.S. at 382, 4 S. Ct. at 511. To the contrary, the power of the federal judiciary is limited and no court may alter the scope of its, or another tribunal's, constitutional or statutory mandate. See *Williams v. Secretary*, 787 F.2d 552, 557 (Fed. Cir. 1986). It follows, then, that the substance of the allegations (i.e., their intended effect on the rights of the parties), not their form, is determinative and that we must look to the actual, rather than the ostensible, nature of the action that was before the district court in determining whether we have jurisdiction over an appeal. *Id.*⁴

We will first consider, however, a question presented by the unusual procedural posture of this case. No one would dispute that we are bound by a superior court's ruling on the issue of jurisdiction and that we are not bound by a lower court's ruling on the matter. This appeal, however, was originally filed in the Federal Circuit, a coordinate jurisdiction, that, in ruling on the appellee's motion to transfer, sent the suit here. The question then

⁴ In an appeal of this nature, we would ordinarily ask for further briefing on the jurisdictional question. We, however, perceive no need for such a request in this case, because we have before us the briefs filed by the parties in the Federal Circuit regarding the plaintiff's motion to transfer under 28 U.S.C. § 1631.

arises whether we are bound by that court's ruling that this court is to hear the case. We think not.⁵

This is not an example of preclusion by final judgment, because, as the Supreme Court's decision in *Hoffman v. Blaski*, 363 U.S. 335, 340-41, 80 S. Ct. 1084, 1088 (1960), illustrates, transfer orders are interlocutory. Thus, if any preclusive doctrine applies to the transfer order of the Federal Circuit under consideration, it is the doctrine of law of the case, which governs the regulation of matters before a final judgment. That doctrine, however, is prudential only and, in the words of Justice Holmes, "merely expresses the practice of courts generally to refuse to reopen what has been decided, not a limit to their power." *Messenger v. Anderson*, 225 U.S. 436, 444, 32 S. Ct. 739, 740 (1912). It does not mandate perpetuation of error and may even under certain circumstances be inappropriate to preclude reconsideration of those issues that, because of their intrinsic importance, must be left open for *sua sponte* reexamination in other procedural settings. Indeed, there is authority for the proposition that the issue of subject-matter jurisdiction is not constrained by law of the case principles. See *Potomac Passengers Association v. C & O Railway*, 520 F.2d 91, 95 & n.22 (D.C. Cir. 1975). Even the Fifth Circuit, which has developed a rigorous law of the case doctrine, routinely allows for the reconsideration of jurisdictional rulings. See, e.g., *Harcon Barge Co. v. D & G Boat Rentals, Inc.*, 746 F.2d 278, 283 n.2 (5th Cir. 1984), *rehearing on other grounds*, 784 F.2d 665 (5th Cir. 1986); *EEOC v. Neches Butane Products Co.*, 704 F.2d 144, 146-47 (5th Cir. 1983); *Western Electric Co. v. Milgo Electronic Corp.*, 568 F.2d 1203, 1205-06 & nn.5, 6 (5th Cir.), *cert. denied*, 439 U.S. 895 (1978); see also *In re "Agent Orange" Product Liability Litigation*, 745 F.2d 161, 163 n.1 (2d Cir. 1984); *Acton*

⁵ We are only addressing the question of subject-matter jurisdiction and express no view on the binding effect of rulings by a coequal jurisdiction on other matters that do not affect the power of the court to rule on the subject matter of the case.

Corp. v. Borden, Inc., 670 F.2d 377, 379 n.2 (1st Cir. 1982); *United States v. Humphries*, 636 F.2d 1172, 1174 n.2 (9th Cir. 1980), *cert. denied*, 451 U.S. 988 (1981); *Green v. Department of Commerce*, 618 F.2d 836, 839 n.9 (D.C. Cir. 1980).

Of course, we need not under the facts of this case decide whether law of the case is *always* inapplicable to interlocutory jurisdictional rulings. We do find, however, that it should not foreclose reconsideration of the decision of the Federal Circuit ordering a transfer of the instant appeal to this court. The doctrine allows for reconsideration and reversal of even nonjurisdictional rulings that are manifestly incorrect, and we believe that the jurisdictional ruling at issue in this case was clearly wrong. In addition, this is not a case in which the jurisdictional determination turns on disputed facts. To the contrary, the basis for the lawsuit appears on the face of the complaint. Nor has there been a prior plenary appellate decision on the merits. Indeed, if this jurisdictional ruling had been made by a panel of this court, we would not hesitate to reconsider it. Furthermore, we should, in view of the policy embodied in § 1295 to centralize patent appeals, be especially sensitive to the allocation of jurisdiction between the regional circuits and the Federal Circuit.

The fact that this ruling was made by a sister circuit cannot alter that result. We do not think that an interlocutory jurisdictional ruling made by a coordinate tribunal is entitled to any greater deference than one of our own interlocutory jurisdictional rulings. It is true that a transfer should not give rise to a second opinion on every issue decided by the transferor court, but it is also true that transfer orders are not of a special breed and that a transfer should no more ossify prior rulings of a coordinate jurisdiction than it should require their routine reexamination. Predictability in litigation and comity among judicial colleagues are important, but they cannot allow one circuit either to enlarge or restrict improperly the jurisdiction of another. An action transferred from one

circuit to another under 28 U.S.C. § 1631 is still a single case and should be treated as nearly as possible like a case that remains in a single jurisdiction. Thus, under the authority of *Hoffman*, 363 U.S. at 340-41, 80 S. Ct. at 1088, we find that interlocutory jurisdictional rulings that result in a transfer should, to the extent practicable, have the same effect and significance that such rulings would have in litigation that is not transferred.⁶ As we would have reexamined our own ruling, so may we reexamine that of the Federal Circuit.

We also note that the Federal Circuit has never considered itself constrained by the jurisdictional rulings of other circuits that result in a transfer to that court, and has even allowed the party that was successful in obtaining a transfer to the Federal Circuit to change its position and move for a return to the transferor forum. See, e.g., *Bray v. United States*, 785 F.2d 989 (Fed. Cir. 1986); *Hurick v. Lehman*, 782 F.2d 984 (Fed. Cir. 1986); *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331 (Fed. Cir. 1984); cf. *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir. 1983). We perceive no reason why this power to reconsider the jurisdictional rulings of another circuit court should not be reciprocal. There is certainly no basis in law for the proposition that the Federal Circuit has greater latitude than the regional circuits in defin-

⁶ We note the Court's statement in *Hoffman*, 363 U.S. at 240 n.9, 80 S. Ct. at 1088 n.9, that the mandamus order at issue (which preceded the transfer) did not expressly reach the jurisdiction question. Thus, *Hoffman* does not directly address the effect of a transfer order that expressly rules on the jurisdictional issue. The Court's characterization of the mandamus order as interlocutory, however, is a powerful, albeit implicit, recognition that the preclusive effect of that order is to be determined by the doctrine of law of the case and not those of res judicata or collateral estoppel. Cf. *id.*, 363 U.S. at 345, 80 S. Ct. at 1090 (Stewart, J., concurring).

ing the boundary between its and the regional circuits' jurisdiction.⁷

We will, therefore, consider whether we possess appellate jurisdiction in the instant case. To do so, we must determine whether the Federal Circuit has exclusive jurisdiction over the appeal because, in the absence of 28 U.S.C. § 1295(a)(1), we clearly would. Section 1295(a)(1) sets forth the Federal Circuit's jurisdiction over patent, plant-variety, copyright, and trademark disputes and provides in relevant part:

[The Federal Circuit] shall have exclusive jurisdiction . . . of an appeal from a final decision of a district court of the United States . . . if the jurisdiction of that court was based, *in whole or in part*, on [28 U.S.C. § 1338]

(emphasis added.)⁸

The primary purposes for the creation of the Federal Circuit were to provide greater uniformity in the substantive law of patents and to prevent the inevitable forum

⁷ There is also a prudential consideration involved here. The relevant portion of the transfer order in this case reads, in its entirety, as follows:

Having reviewed the submissions of the parties, as well as the pleadings filed in the district court, the court can discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit.

We believe that this order—like a summary affirmance, see, e.g., *Bowers v. Hardwick*, ___ U.S. ___, ___ n.4, 106 S. Ct. ___, ___ n.4 (1986); *Illinois State Board v. Socialist Workers Party*, 440 U.S. 173, 180-81, 99 S. Ct. 983, 988 (1979), or a decision of a motions panel, see, e.g., *EEOC v. Neches Butane Prods. Co.*, 704 F.2d 144, 147 (5th Cir. 1983)—has considerably less persuasive force than a full opinion on the complex questions presented.

⁸ It should be noted that § 1295(a)(1) excepts from the Federal Circuit's jurisdiction those cases that involve claims concerning copyright or trademarks and no other claims. See *Interpart Corp. v. Italia*, 777 F.2d 678, 680 (Fed. Cir. 1985). Thus, the latter category of actions are still heard by the regional appellate courts.

shopping that results from conflicting patent decisions in the regional circuits. *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed. Cir. 1984) (en banc); *C.R. Bard*, 716 F.2d at 878. It is these concerns that animate the jurisdictional grant under § 1295 and inform our analysis of the jurisdiction question.

By granting the Federal Circuit exclusive jurisdiction over every case in which the district court's original jurisdiction was based "in part" on § 1338, § 1295 accords priority to patent issues. It is clear that the goal of uniformity would be difficult to achieve if a case must be solely or primarily based on the patent laws before § 1295 would be triggered. Thus, if any part of the district court's jurisdiction could have been based on § 1338, the Federal Circuit has exclusive jurisdiction over the entire appeal. Non-patent issues in the suit, even if they have their genesis in federal law, are for the purposes of establishing appellate jurisdiction considered pendent to the patent claims.⁹ See *Interpart Corp. v. Italia*, 777 F.2d 678, 681 (Fed. Cir. 1985); *Sun Studs, Inc. v. Applied Theory Associates, Inc.*, 772 F.2d 1557 (Fed. Cir. 1985); *Cable Electric Products, Inc. v. Genmark, Inc.*, 770 F.2d 1015, 1029 (Fed. Cir. 1985); *Rhone-Poulenc Specialites Chimiques v. SCM Corp.*, 769 F.2d 1569 (Fed. Cir. 1985); *Profes-*

⁹ The rules governing federal statutory jurisdiction were developed primarily to determine whether a case could be heard before a federal, as opposed to a state, court. In the context of § 1295, however, a different set of considerations comes into play because a judgment has already been rendered by a federal district court. Obviously, every case that "arises under" 28 U.S.C. § 1338 also "arises under" 28 U.S.C. § 1331, because the patent laws are a subset of the laws of the United States. However, for § 1295 to have any practical effect in centralizing patent appeals, that provision must mean that appellate jurisdiction depends on whether the jurisdiction of the district court *could* have been based on § 1338. Thus, the presence of other grounds for original federal jurisdiction cannot foreclose an appeal before the Federal Circuit; otherwise, there could be no such appeals, because, as noted above, all § 1338 cases are also § 1331 cases.

sional Managers' Association, 761 F.2d at 743-44; *Atari, Inc.*, 747 F.2d at 1429-38; *Panduit Corp. v. All States Plastic Manufacturing Co.*, 744 F.2d 1564, 1573 (Fed. Cir. 1984). This is true even though the non-patent claims might be resolved first and could, therefore, moot the patent claims. *Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559, 1563-64 (Fed. Cir.), cert. dismissed, ___ U.S. ___, 106 S. Ct. 22 (1985).¹⁰

28 U.S.C. § 1338(a), to which § 1295(a)(1) refers, provides:

The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

Although there was initially some confusion regarding the interaction between § 1295 and § 1338, see, e.g., *Marsh v. Austin-Fort Worth Coca-Cola Bottling Co.*, 744 F.2d 1077, 1080 (5th Cir. 1984), it is now settled that § 1295 incorporates the traditional rules of statutory "arising under" jurisdiction. See *Gilson v. Republic of Ireland*, 787 F.2d 655 (D.C. Cir. 1986); *Dubost*, 777 F.2d at 1561; *Atari, Inc.*, 747 F.2d at 1435-36; see generally *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 103 S. Ct. 2841 (1983) (discussion of "arising under" jurisdiction).

¹⁰ Section 1295 may save costs by promoting uniformity, but, initially at least, it imposes new costs generated by jurisdictional uncertainty. Cf. *Van Drasek v. Lehman*, 762 F.2d 1065, 1070 (D.C. Cir. 1985); *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed. Cir. 1984) (en banc); *Professional Managers' Association v. United States*, 761 F.2d 740 (Fed. Cir. 1985). The instant appeal is but another in the burgeoning list of cases delineating, at considerable expense to the parties and the judicial system and no doubt considerable bewilderment to laymen, the boundaries of 28 U.S.C. § 1295(a)(1).

The term "arising under" appears in Article III of the Constitution. Chief Justice Marshall, writing for the Court in *Osborn v. Bank of United States*, 22 U.S. (9 Wheat.) 738, 822-27 (1824), concluded that this constitutional provision extended the grant of power to the federal judiciary to every case in which federal law potentially forms an ingredient of the claim. It is clear, however, that these same words, when used in a *statutory* grant of jurisdiction, e.g., § 1338, have a narrower meaning and do not reach every case in which there may be a federal component. *Franchise Tax Board*, 463 U.S. at 8 n.8, 103 S. Ct. at 2846 n.8. Nonetheless, as Justice Frankfurter observed in *Textile Workers Union v. Lincoln Mills*, 353 U.S. 448, 470, 77 S. Ct. 923, 928 (1957) (Frankfurter, J., dissenting), "The litigation-provoking problem has been the degree to which federal law must be in the forefront of the case and not collateral, peripheral or remote."

There are two types of cases that may be said to "arise under" the patent laws for the purposes of § 1338 that are relevant to the disposition of this appeal.¹¹ First, as Justice Holmes stated in *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260, 36 S. Ct. 585, 586 (1916), "A suit arises under the law that creates the cause of action." In *American Wells*, where the claim was injury to a business involving slander of patent, the Court found that "[w]hether it is a wrong or not depends upon the law of the state where the act is done," so that the suit did not arise under the patent laws. Nonetheless, although Holmes's "creation" test may be helpful in identifying many cases that come within the district court's original jurisdiction, it has limited value in identifying those that do not. See *Franchise Tax Board*, 463 U.S. at 8-9, 103 S. Ct. at 2846.

¹¹ Judge Friendly stated that there was a third category, i.e., a case in which a distinctive policy of the patent laws requires that federal principles control the disposition of the claim. *T.B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (1964), *cert. denied*, 381 U.S. 915 (1965). However, we need not consider this class of cases to resolve the jurisdictional question before us.

Second, a case arises under the patent laws where the vindication of a right under a non-patent law calls for a determination of the meaning or application of a patent law. *T.B. Harms Co. v. Eliscu*, 339 F.2d 823 (2d Cir. 1964) (Friendly, J.), *cert. denied*, 381 U.S. 915 (1965); see also *Franchise Tax Board*, 463 U.S. at 9, 103 S. Ct. at 2846. In the words of the Federal Circuit, the case arises under § 1338 if the plaintiff seeks to vindicate a right or interest "that would be defeated by one or sustained by an opposite construction" of the patent laws. *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984); see also *Dubost*, 777 F.2d at 1565.

Of course, the determination whether a case fits within either of these two categories must be made in light of the "well-pleaded complaint" doctrine, which requires that the plaintiff's complaint establish that the case "arises under" federal law. As the Supreme Court observed in *Franchise Tax Board*, 463 U.S. at 10, 103 S. Ct. at 2846 (quoting *Taylor v. Anderson*, 234 U.S. 74, 75-76, 34 S. Ct. 724, 724 (1914)):

[W]hether a case is one arising under the Constitution or a law or treaty of the United States, in the sense of the jurisdictional statute . . . , must be determined from what necessarily appears in the plaintiff's statement of his own claim in [the complaint], unaided by anything alleged in anticipation of avoidance of defenses which it is thought the defendant may interpose.

See also *Louisville & Nashville Railroad Co. v. Mottley*, 211 U.S. 149, 29 S. Ct. 42 (1908). The doctrine serves an important purpose in the scheme of federal jurisdiction, because it limits the scope of the district court's original jurisdiction. It is not clear when a court exercises original jurisdiction what issues will actually arise in the litigation. A federal question could appear in the course of virtually every lawsuit. Thus, to base original federal jurisdiction on merely potential federal questions would render illusory the Article III limitation that confines the power

of the federal judiciary to specifically enumerated classes of cases. Accordingly, federal jurisdiction is thought to be more appropriate where issues of federal law are likely to dominate. The well-pleaded complaint doctrine is based on the assumption that if the *plaintiff* relies on federal law in stating his claim, federal questions are more likely to dominate the litigation; thus, the doctrine helps preserve the balance of authority between state and federal courts. See generally Note, *Federal Preemption, Removal Jurisdiction, and the Well-Pleaded Complaint Rule*, 51 U. Chi. L. Rev. 634, 636-646 (1984).

We, however, are to consider the "well-pleaded" allegations *necessary* to the substance of the plaintiff's claim. These "necessary" allegations may or may not appear in the actual complaint. See *Franchise Tax Board*, 463 U.S. at 22-23, 103 S. Ct. at 2853; *Skelly Oil Co. v. Phillips Petroleum Co.*, 339 U.S. 667, 70 S. Ct. 876 (1950). Thus, we are not bound by the omissions of the parties or the district court, and may recharacterize the claims appearing in that pleading. In addition to the language of the complaint, we may also consider arguments made outside the pleadings to determine the substance of the action.¹²

¹² At an earlier time, it was the rule that jurisdiction "must be disclosed upon the face of the complaint, unaided by the answer" or any other paper filed in the proceeding. *Gully v. First National Bank*, 299 U.S. 109, 113, 57 S. Ct. 96, 98 (1936). Thus, it was often said that the plaintiff, as the master of his complaint, could determine which court had jurisdiction over the action. See *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25, 33 S. Ct. 410, 411 (1913). However, under the current state of the law, the rule that the actual language of the complaint is dispositive no longer applies. For example, as the Supreme Court noted in *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1, 22, 103 S. Ct. 2840, 2853 (1983), "[I]t is an independent corollary of the well-pleaded complaint rule that a plaintiff may not defeat [federal jurisdiction] by omitting to plead the necessary federal questions in a complaint." See also *Avco Corp. v. Aero Lodge No. 735*, 390 U.S. 557, 88 S. Ct. 1235 (1968). It is still true, however, that the necessary factual allegations are to appear in the complaint and "may not be gleaned from the briefs and arguments themselves." *Bender v. Williamsport Area School District*, ___ U.S. ___, ___, 106 S. Ct. 1326, 1334 (1986).

See *Williams v. Secretary*, 787 F.2d 552 (Fed. Cir. 1986); *Interpart Corp.*, 777 F.2d at 680-81; *Yarway Corp. v. Eur-Control USA, Inc.*, 775 F.2d 268, 273 (Fed. Cir. 1985); *Wronke v. Marsh*, 767 F.2d 354 (7th Cir. 1985); *Van Drasek v. Lehman*, 762 F.2d 1065 (D.C. Cir. 1985); *Maier v. Orr*, 754 F.2d 973, 980-82 (Fed. Cir. 1985); *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331, 333-34 (Fed. Cir. 1984). We may look to the position the plaintiff adopted in, for example, his motion for summary judgment. To otherwise limit the scope of our inquiry would encourage forum shopping, because a plaintiff could refer obliquely in his complaint to the patent claim he actually seeks to prosecute and then press it vigorously (and perhaps successfully) in a subsequent dispositive motion or at trial, yet isolate himself from review by the Federal Circuit. Cf. *Franchise Tax Board*, 463 U.S. at 22, 103 S. Ct. at 2853; *Marsh v. Austin-Fort Worth Coca-Cola Bottling Co.*, 744 F.2d 1077, 1079 n.4 (5th Cir. 1984).

It remains to apply these principles to the instant case. The complaint states that Christianson seeks recovery for violations of the federal antitrust laws, but, as the discussion above demonstrates, that recitation is not controlling. The pleading contains no reference to any jurisdictional statute, although the allegations indicate that there would be original subject-matter jurisdiction under at least 28 U.S.C. §§ 1331 (federal question) and 1332 (diversity). See *Caldwell v. Miller*, 790 F.2d 589, 595 (7th Cir. 1986) (complaint need not set forth statutory basis for subject-matter jurisdiction; allegations of jurisdictional facts alone are sufficient). The district court's order, which states only that there was original subject-matter jurisdiction under "28 U.S.C. § 1332 and 15 U.S.C. §§ 4, 15 and 26," provides little guidance. Christianson did not request in the complaint specific relief under the patent laws.¹³

¹³ Christianson does include a prayer for attorney's fees, but this request is ambiguous, because both the patent and antitrust laws provide for such awards, see 15 U.S.C. § 15, 26; 35 U.S.C. § 285. In addition, the wording of the request for fees suggests that it

(Footnote continued on following page)

Under Holmes's "creation" test, the complaint filed in this action does not "arise under" the patent laws of the United States. In view of the inadequacy of the "creation" test as an exclusionary principle, however, this observation does not conclude the inquiry. As noted earlier, there are other tests to consider, and we find that the instant dispute falls within the second category of "arising under" cases described above, because Christianson's right to recovery, although ostensibly based on the antitrust laws, "would be defeated by one or sustained by an opposite construction" of the patent laws. *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984); see also *Dubost*, 777 F.2d at 1564-65; *Ostow & Jacobs, Inc. v. Morgan-Jones, Inc.*, 189 F. Supp. 697 (S.D.N.Y. 1960). Stated in another manner, the plaintiff must establish that his interpretation of the patent laws is correct in order to prevail, as the following discussion will demonstrate.

Christianson alleges that Colt held a monopoly in the relevant weapon market as a result of its patent rights. However, if Colt had complied with the disclosure requirements of 35 U.S.C. § 112, "anyone 'who has ordinary skill in the rifle-making art' [would be] able to use the technology of such expired patents for which Colt earlier had a monopoly for 17 years." Complaint ¶ 18. Christianson maintained by implication in the complaint, and expressly in its summary-judgment papers, that the information needed to make the parts was not available, so that Colt must necessarily have withheld that information in violation of § 112. The crux of the plaintiff's case is that, by failing to make the necessary disclosures under § 112, Colt is extending its exclusionary rights beyond the 17-year life of the M16 patents, a result inconsistent with the objec-

¹³ continued

refers to the antitrust provision. In any event, Christianson does not seek an express remedy under the patent laws; with no recovery specifically requested under the substantive provisions of Title 35, it is unlikely that the plaintiff would ask to obtain attorney's fees under the patent laws.

tives of the patent system. Christianson's allegations (especially those concerning the antitrust violations) are completely inconsistent with the position that Colt *complied* with § 112 and that it is now attempting to maintain as trade secrets information already in the public domain due to the disclosures in the relevant patent applications. We agree, therefore, with the district court's statement that the plaintiff's position was that Colt, due to its failure to make full disclosures of its claims of invention, could not assert its claims of trade secrecy against Christianson.

The silence of the complaint on certain issues is as telling as its declarations. For example, the abuse by the defendant of the patent and trade-secrets law was the only basis Christianson asserted in the complaint for the alleged antitrust violation, and the only ground asserted for invalidity of the trade secrets was the withholding of information in contravention of § 112. Thus, if Christianson's interpretation of that provision is incorrect, then Colt (1) has not improperly extended its patent monopoly by way of trade-secret law and (2) has simply engaged in a vigorous campaign to protect its allegedly proprietary information. After considering the substance of the complaint, then, we find that Christianson was necessarily seeking to vindicate a right or interest that would be defeated by one or sustained by the opposite construction of the patent laws. This case, then, "arose under" those laws, so that the district court's original jurisdiction was based in part on § 1338. The Federal Circuit, therefore, has exclusive jurisdiction over this appeal under § 1295.

Christianson's position that he only mentioned § 112 in his complaint in anticipation of a defense Colt would raise is disingenuous, to say the least. That the defendant might advance a different construction of a federal statute does not mean that the plaintiff's reference to the provision in the complaint was necessarily made to foreclose a defense. See *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25, 33 S. Ct. 410, 411 (1913) ("[W]hen the plaintiff bases his cause of action upon an Act of Congress, jurisdiction cannot be defeated by a plea denying the merits of the claim."). The complaint may be sketchy, but

it leaves no doubt that Christianson was relying on that pleading (Count 1 of which was never amended) to obtain a determination that Colt's patent applications failed to comply with the disclosure requirements of § 112. The summary-judgment proceedings also confirm our initial interpretation of the complaint. Because his only theory for the invalidation of the trade secrets was Colt's failure to comply with § 112, Christianson's argument that he expected Colt to assert that its patents were valid cannot mean that he was anticipating a defense.¹⁴ Thus, we find that Christianson's argument that patent validity was a "defense" only serves to confirm that he was relying on Colt's alleged noncompliance with § 112 as the basis for his own cause of action.

III

For the reasons stated above, we find that this court does not have jurisdiction over this appeal and order that the case be transferred to the Federal Circuit pursuant to 28 U.S.C. § 1631.

A true Copy:

Teste:

*Clerk of the United States Court of
 Appeals for the Seventh Circuit*

¹⁴ If Christianson is saying that Colt fully complied with § 112, but, nonetheless, attempted to make a trade secret out of that which was in the public domain, then there is no reason for Colt to present the "defense" of patent validity, because both sides are then in agreement. In other words, the defendant's allegation of patent validity cannot be a defense to the plaintiff's allegation of patent validity.

Appendix C

United States Court of Appeals for the Federal Circuit

CHARLES R. CHRISTIANSON AND)	
INTERNATIONAL TRADE)	
SERVICES, INC.,)	
Appelles,	)	Appeal No. 85-2644
v.)	
	)	ON MOTION
COLT INDUSTRIES)	
OPERATING CORP.,)	
)	
Appellant.)	
Before MARKEY Chief Judge, BALDWIN, and BISSELL, Circuit Judges.		

ORDER

The court has before it a motion by appellee Charles Christianson and International Trade Services, Inc. to transfer this appeal to the United States Court of Appeals for the Seventh Circuit.

Having reviewed the submissions of the parties, as well as the pleadings filed in the district court, this court can discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit.

THEREFORE IT IS ORDERED:

PA-64

that this appeal is transferred to the Court of Appeals for the Seventh Circuit.

FOR THE COURT

12/4/85

Date

/s/ Jean Galloway Bissell
Circuit Judge

PA-65

**United States Court of Appeals
for the Federal Circuit**

CHARLES R. CHRISTIANSON &) No. 85-2644
INTERNATIONAL TRADE SERVICES,)
INC.,)
A Massachusetts Corporation,)
Appellee,)
v.) 83-4072
COLT INDUSTRIES OPERATING CORP.,) 84-4056
Appellant.)

JUDGMENT

ON APPEAL from the US District Court for the Central District of Illinois

This CAUSE having been heard and considered, it is

ORDERED AND ADJUDGED: TRANSFERRED to the Court of Appeals for the Seventh Circuit.

DATED December 4, 1985

ENTERED BY ORDER OF THE
COURT

/s/ Francis X. Gindhart, Clerk

ISSUED AS A MANDATE: January 24, 1986

Appendix D

**United States District Court
Central District of Illinois**

CHARLES R. CHRISTIANSON AND)	
INTERNATIONAL TRADE SERVICES,)	
INC.,)	
)	
<i>Plaintiffs,</i>)	
)	
v.	)	Consolidated Civil
	)	Action
COLT INDUSTRIES OPERATING CORP.,	)	Nos. 84-4056 and
a Delaware corporation,	)	and 83-4072
)	
<i>Defendant.</i>)	

FINAL JUDGMENT ON LIABILITY

This case was before this court on the pleadings, including cross-motions for summary judgment. Plaintiffs, Charles R. Christianson and essentially his corporation, International Trade Services, Inc., filed a complaint against Colt Industries Operating Corp. (Colt Industries) for damages, injunctive and equitable relief, for injuries resulting from Colt Industries' violations of the antitrust laws (Count I) and amended it to include a count for intentional wrongful interference with business relations by Colt Industries and requesting actual and punitive damages (Count II). Colt Industries denied violations and asserted numerous counterclaims and affirmative defenses. Plaintiffs denied Colt Industries' counterclaims and asserted affirmative defenses. Patent infringement is not an issue in this case. This court has jurisdiction over the subject matter of this action and the parties before it under 28 U.S.C.

§1332 and 15 U.S.C. §§4, 15 and 26. Venue in this district is proper under 28 U.S.C. §1391(b) and (c) and 15 U.S.C. §15.

Based on the motion papers and accompanying briefs and the representations of counsel at a hearing, all matters alleged in plaintiffs' complaint and those matters in defendant's counterclaims raised in the motion papers were considered by the court to be placed before it for ruling, and therefore the court has considered and has duly ruled upon the same as a matter of summary judgment upon undisputed material facts.

This court's decision is based upon the pleadings, the depositions, answers to interrogatories and admissions on file, together with the affidavits and other evidence presented, the briefs, arguments, and this court's interrogation of counsel at a hearing. Among the material considered was live testimony before this court in *Colt Industries v. Springfield Armory, Inc., et al.*, Civil Docket No. 83-4072, with which this cause was heretofore consolidated. That testimony was identified by the transcript portions provided as exhibits to the instant motion.

This court has determined that summary judgment is appropriate as indicated in this court's Memorandum Decision and Order entered on May 24, 1985, which Memorandum is incorporated herein.

IT IS THEREFORE ORDERED AND ADJUDGED that:

1. There having been injury to plaintiffs' business and property, a trial shall be held, as subsequently scheduled by this court, to determine the amount and types of damages to which plaintiffs may be entitled, and such other matters as may remain to be resolved by trial.

2. A hearing shall be held after such trial to determine the amount of attorneys' fees and interest and costs to which plaintiffs may be entitled.

3. The disclosures made in Colt's M-16 patents are insufficient to satisfy either the enablement or best mode requirements of 35 U.S.C. §112. Accordingly, the following patents were invalid from their inception:

3,236,155; 3,292,492; 3,301,133; 3,336,011; 3,440,751; 3,453,762; 3,619,929; 3,771,415; 3,977,296.

4. In view of Colt Industries' wrongful retention as its trade secrets of information that it should have disclosed, under 35 U.S.C. §112, 1st paragraph, in its M-16 patents, so that others could have made and used the M-16 inventions for use with the M-16 (all references herein to M-16 are intended to include its various versions such as the M-16A1 and the M-16A2, where the context permits), such information is hereby declared void and unenforceable as trade secrets. Colt Industries' monopolization of the M-16 market and sub-markets and agreements in restraint of trade in connection with its suppliers and distributors require injunctive relief for an adequate remedy.

5. Though some of the M-16 trade secrets did not directly have to be disclosed in the patents for various reasons of timing and subject matter, in order to best place the public in a position it would have been in but for the wrongful acts of Colt Industries, and provide for proper competition, it is hereby declared that all trade secrets in technical information relating to the M-16, which came into existence prior to the entry of this order, are hereby declared void and unenforceable.

6. To the extent that any of the counterclaims in the action remain unresolved, and in accordance with Rule 56(d) of the Federal Rules of Civil Procedure, it is determined that the invalidity and unenforceability of any and all of Colt Industries' trade secrets in technical information relating to the M-16 which were in existence prior to the entry of this order, is taken as conclusively established with respect to all subsequent proceedings in this case.

7. Colt Industries, its officers, agents, servants, employees, attorneys, and those entities in active concert or participation with them (who receive actual notice of the order by personal service or otherwise) are hereby enjoined from asserting or seeking to enforce, in any manner which would impede or interfere with plaintiffs in their businesses or

employment, any form of trade secret right in any technical information relating to the M-16 wherein such information was in existence prior to the entry of this order.

8. Colt Industries is directed to preserve until June 1, 1989, such technical information relating to the manufacture of the M-16 which was in existence prior to the entry of this order, and to provide it to either plaintiff upon request within 30 days of such request. Colt Industries may charge a reasonable and customary fee for copying charges for handling of any such request.

9. On documents or drawings which Colt Industries hereafter distributes bearing technical information in existence prior to the date of this order and relating to the M-16, Colt Industries shall insure that no proprietary stickers and/or Colt Industries' confidentiality designations shall be used in connection with potential customers or suppliers of plaintiffs in a fashion which would indicate that any such technical information could be protectible as a trade secret.

10. Colt Industries shall serve a copy of this Order upon all potential customers or suppliers of plaintiffs which Colt Industries has within the past four years:

- a. licensed M-16 trade secrets,
- b. threatened enforcement of M-16 trade secrets, or
- c. sent letters claiming rights in M-16 trade secrets for the past four years.

11. Colt Industries' Fifth and Sixth counterclaims are hereby dismissed with prejudice. Pursuant to Rule 54(b), this court determines there is no just reason for delay and directs the entry of final judgment in favor of Christianson and ITS and against Colt Industries on said claims, and judgment is hereby entered accordingly.

12. Final judgment is hereby entered as to plaintiffs' claims for liability on Counts I and II of plaintiffs' complaint in favor of plaintiffs against defendant.

13. The court is of the opinion that this judgment involves a controlling question of law as to which there is substantial ground for difference of opinion, and that an immediate appeal from this entire judgment may materially advance the ultimate termination of the litigation.

/s/ Robert D. Morgan
United States District Judge

Entered: July 19, 1985

Appendix E

**United States District Court
Central District of Illinois**

CHARLES R. CHRISTIANSON, AND)	
INTERNATIONAL TRADE SERVICES,)	
INC.,)	
)	
<i>Plaintiffs,</i>)	
)	
v.	)	No. 84-4056
)	
COLT INDUSTRIES OPERATING CORP.,)	
)	
<i>Defendant.</i>)	

MEMORANDUM DECISION AND ORDER

Plaintiffs, Charles R. Christianson and essentially his corporation, filed this complaint against Colt for damages, injunctive and equitable relief, under §§4 and 16 of the Clayton act (15 U.S.C. §§15 and 26), upon their allegations that Colt has violated Sections 1 and 2 of the Sherman Act (15 U.S.C. §§1 and 2). Colt has answered denying violation and asserting numerous affirmative defenses and counterclaims. Venue exists in this district under 15 U.S.C. §15 and 28 U.S.C. §1391(b) and (c).

The complaint is grounded on allegations that Colt achieved and now attempts to maintain an unlawful monopoly on the manufacture and sale of parts for the M-16 standard military rifle. In the 1950's Colt obtained a patent for a gas-operated, automatic rifle which was adopted in 1964 by the United States as its standard military firearm. The Government designated it as the M-16. In ensuing years, Colt obtained several other patents on improvements of parts for that weapon. With a few

exceptions, not critical to this decision, all such patents have now expired. Over the years, Colt entered into a licensing agreement with the Government for Government production of the M-16 for its use and for sale to foreign governments under the patents and drawings and technical data supplied by Colt. It also entered into agreements with the government of the Philippines, and with certain other foreign governments, authorizing the manufacture of the rifles to arm each such nation's military forces. It further entered into contracts with various suppliers in the United States for the manufacture and sale of component parts for the rifle. Those licenses restricted the sale of such parts to Colt and the United States Government only. With each such agreement, defendant supplied drawings and technical data for use by the various licensees. All agreements contained restrictive clauses which prohibited the sale of parts to all except the authorized clients, and which prohibited the disclosure of defendant's drawings and technical data to anyone not specifically authorized by the agreement to see them. As to domestic licenses, the proscription excluded only defendant and the Government. The proscription in the foreign licenses limited sale to each nation's own military force and disclosure only to appropriate government officials. The complaint alleges that Colt has employed those restrictive clauses in an attempt to deny to any others the right to manufacture such rifles and parts notwithstanding the fact that Colt's patents have been expired for several years. It is alleged that Colt attempts, by such practices, to foster and maintain its monopoly position in the manufacture and merchandising of the products as if its patents still remained in force.

In 1983, Colt filed in this court a suit against Springfield Armory, Inc., and others, under docket no. 83-4072, to enjoin the performance of a contract of those named defendants for the sale of M-16-type rifles to a Central American government. A preliminary injunction was issued following a hearing. These plaintiffs were ultimately joined, and that decision was affirmed by the Court of Appeals for the Federal Circuit. Further discussion of the latter decision appears in a later

context. The ground for complaint in that case was that Colt would be irreparably damaged by the unauthorized use of Colt's drawings and proprietary information which Colt claimed were trade secrets and its exclusive property. That case has heretofore been settled by the parties and closed.

Plaintiffs filed the pending complaint against Colt in 1984. The cause was scheduled for trial late in that year. That schedule was cancelled on the representation by the parties that cross motions for summary judgment would be filed. Those motions are now before the court for decision.

The thrust of plaintiffs' motion is the position that Colt cannot assert its claims of trade secrecy against plaintiffs because it had, in its now-expired patents, failed to make the full disclosures of its claims of invention as required by 35 U.S.C. §112.

Plaintiff Christianson has been marketing M-16 components for approximately eight years. Initially, Colt acquiesced to his use of drawings obtained from a Colt foreign licensee. It also appears that during that period other suppliers advertised for the sale of M-16 parts, as well as some M-16 drawings. It further appears that significant M-16 manufacturing not authorized by Colt licenses was conducted by Colt's foreign licensees and domestic suppliers, all without serious objection from Colt. Plaintiffs argue, not implausibly, that Colt was not concerned with such activities so long as its U.S. position was protected by its basic patents. Plaintiffs assert that Colt resorted to legal action to try to restore its monopoly position only after its basic patents had expired.

A critical factor here clearly is the unique character of the product involved. A key criterion of a military weapon is that there be complete interchangeability of parts between all weapons of the same general kind which have ever been produced for use by a military force. Critical to that requirement is the ability to scavenge weapons from a battlefield for parts replacement in all other like weapons. That critical factor was emphasized by Colt before this court in the hearing for a preliminary injunction in the *Springfield* case. Colt took the

position that the M-16 had an absolutely essential feature of parts interchangeability which was critical to the use of the rifle on the battlefield, and that that feature could be satisfied only by the use of Colt's drawings and trade secrets. It asserted that the M-16 was not reverse engineerable. In that context plaintiffs assert:

"Thus [Colt] avoided *Syntex Ophthalmics, Inc. v. Novicky*, 591 F.Supp. 28, 221 U.S.P.Q. 860 (N.D.Ill.1983), *aff'd* 28 Pat. Trademark and Copyright J. (BNA) 717 (Fed. Cir. 1984), and cases before it, which stand for the proposition that if a product is reverse engineerable, injunctive relief against theft of trade secrets is limited in time. Thus, to extend its exclusive position well beyond the expiration of its patents, Colt had to argue that the M-16 was not reverse engineerable."

To a degree, as plaintiffs argue, Section 112 places Colt on the horns of a dilemma. To sustain its claim for an injunction in case 83-4072, Colt had to take the position that interchangeability of parts was a must, and that such interchangeability could be fully obtained only by the use of Colt's drawings and other claimed trade secrets. In that context, a Colt expert testified that it would be possible from the base patents for a person skilled in the art to make a rifle similar to that claimed by the patent and by use of reverse engineering of a Colt firearm, but that would be a "massive" task. In the context of these motions, that same expert has executed an affidavit which asserts that the making of an M-16, using the patents by a person skilled in the art, would not entail undue experimentation.

A review of *Colt Industries Operating Corp. v. Springfield Armory, Inc., et al.*, (Fed. Cir., April 19, 1984, unpublished), in which this court's issuance of a preliminary injunction was affirmed, seems appropriate in this context. The single issue before that court was the appropriateness of the preliminary injunction upon the record made in that hearing. It did affirm the judgment of this court. Pertinent to these motions now, the there court said:

"Although Springfield's 35 USC 112 arguments, particularly related to best mode, have an appearance of validity (See *White Consolidated Industries, Inc. v. Vega Servo-Control, Inc.*, 713 F.2d 788, * * * (Fed. Cir. 1983), the evidence of record is totally lacking in specifics. * * *"

Although obviously that statement cannot be read as a pre-determination by the Federal Circuit of the issues now before this court, it can and should be accepted as the statement of a recognition by that court that possibly serious issues of Colt's compliance with Section 112 could exist, subject to substantiation by adequate evidence. To that extent, and to that extent only, that statement does have a bearing on the issues now before this court.

The crux of the issues presented by these motions is the language of 35 U.S.C. §112, which provides that a patent to be valid must:

"* * * contain a written description of the invention, and of the manner and process of making it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention."

In re Gay, 309 F.2d 769 (CCPA 1962), said that Section 112 imposed both an enabling requirement and a best mode requirement to sustain the validity of a patent. The court there said that the enabling requirement was designed to ensure that the printed patent disclose an invention in sufficient detail to enable persons skilled in the art to make and utilize the invention, and that the best mode requirement was designed to preclude inventors from applying for patents while at the same time concealing from the public the preferred embodiment of the inventive concept. The "enablement" requirement of the statute is satisfied if a person of ordinary skill in the art is able to make and use, without undue experimentation, a functioning version of the invention from the disclosures of the patent coupled with information which is already publicly known. *White Consolidated Industries, Inc., v. Vega Servo-Control, Inc.*, 713 F.2d 788 (Fed. Cir. 1983). *

Thus Section 112 provides the quid pro quo for the grant of a patent monopoly under the Act. The Patent Act was designed to foster and enhance the development and disclosure of new ideas and the technical advancement of knowledge. Upon a determination that a patent claim does contain the elements of inventive novelty, the claimant becomes entitled to a monopoly on the right to practice and exploit the patented invention for a substantial but limited period of time. At the same time, the issued patent becomes a part of the public domain, subject only to the patentee's exclusive right to exploit the patented invention as defined by him during the limited monopoly period. Others are free during the period of that monopoly to devise improvements upon the patented concept, without redress to the patentee, so long as those improvements do advance the state of the art and public knowledge. Yet the patentee can assert his monopoly rights against those who adopt only superficial modifications which fall short of a true advancement of the art. In exchange for his limited monopoly position, the patentee must disclose in his patent sufficient information to enable others skilled in the art to employ and profit from the invention after the period of limited monopoly has expired. Section 112 simply delineates the scope of the disclosures which are necessary to accomplish and protect those public purposes by requiring that the patent applicant fully describe the subject matter as to which he is asserting a claim to a statutory right to a monopoly.

CONCLUSION

It is necessary here to conclude, from the voluminous exhibits, pertinent patents, affidavits, depositions and other materials submitted to the court, and in keeping with the patent concept, that plaintiffs are entitled to judgment in their favor. The disclosures made by Colt in obtaining its patents satisfied neither the enablement nor best mode requirements of 35 U.S.C. §112.

DISCUSSION

The enablement requirement is fulfilled if a person of ordinary skill in the art is able, without undue experimentation, to make and use some mode of the invention from the disclosures of the patent and from what was previously publicly known. *White, supra; Engelhard Industries, Inc. v. Sel-Rex Corp.*, 253 F.Supp. 832 (D.N.J.1966), *aff'd* 384 F.2d 877 (3d Cir.1967). *Engelhard* points up the distinction between enablement and best mode by its holding that the enabling requirement was satisfied, but that there had been a failure to disclose the best mode for carrying out the invention.

To a large degree, Colt, in opposition to the plaintiffs' motion, has attempted to create a question of fact from conflicting sworn statements of its own expert witnesses. It employed a Seth Bredbury who now states in his affidavit as to the bolt assist patent (No. 3,236,155) that a person of ordinary skill in the firearms art could design and produce a gas-operated firearm of the type shown, incorporating the invention defined in the patent, without undue experimentation. Yet, Mr. Bredbury, in his prior testimony based upon his review of the Colt patents, stated that a person skilled in the art could design a rifle very much like the M-16, which could perhaps function as well, but that that would be a massive undertaking. While he did not define the word "massive," it must be recognized that that term means unusually large, or, as defined in Webster's New Collegiate Dictionary, "large in comparison to what is typical." The use of the word "massive" must imply the use of undue experimentation before any practical result could be achieved.

Harold Waterman, the head of Colt's firearm product engineering, testified, in reviewing the same bolt assist patent, that "you could not" make a weapon by the use of that patent. "You could get an idea of the mechanism, and that would just about be it." The question presumed a person skilled in the field of manufacturing firearms who had available all tools and equipment for firearms manufacture, but not including any gauges in which Colt claims a proprietary interest as trade secrets.

Mr. Bredbury's current statement that no "undue experimentation" would be required is not substantiated by any statement of fact. There is no evidence that any weapon other than the Colt weapons could or do use any of the inventions. It seems both reasonable and unavoidable to presume that those skilled in the art would have devised a weapon to compete with the Colt product in the 20 years elapsed since the M-16 became the adopted weapon of the United States military, if a comparable weapon could be made without undue experimentation and without access to Colt drawings and technical information. The bare statement of the conclusion that it could, without any factual substantiation, cannot create an issue of fact. The question of enablement has been held to be a question of law. *Raytheon Co. v. Roper Corp.*, 724 F.2d 951, (Fed. Cir. 1983). An issue of fact is not created by the statement of an unsubstantiated legal conclusion. *E.g.*, *Application of Brandstadter*, 484 F.2d 1395 (CCPA 1973).

Consideration of the best mode requirement of §112 should begin with the distinction between the two requirements of the statute. The enablement requirement is designed to allow the public to practice the invention in a generalized fashion. The concern of the best mode requirement is the prevention of abuse of the patent monopoly by its extension beyond the limited period which the statute permits. *In re Gay, supra*, failure of disclosure of the best mode for practicing the invention could have that effect when the patentee fails to disclose essential information. Upon expiration of the limited patent monopoly, the public is entitled to practice the invention without restriction, including the right to produce and market the patentee's commercial product without modification. The patent statute contemplates that, in exchange for the grant of a limited monopoly, the patentee will make a full disclosure of the patented idea to such extent that it may be fully utilized by those skilled in the art once the patent monopoly has expired. Whether or not the best mode contemplated by the inventor for carrying out his invention was disclosed, is a question of fact. *McGill Incorporated v. John Zink Company*, 221 U.S.P.Q. 944, 951 (Fed. Cir. 1984).

The disclosures required by §112 can impose a burdensome task on both the patent applicant and the patent examiner, but that does not excuse, as Colt tends to argue, the necessity for disclosure of whatever information is required to satisfy the statutory command. A party is free to disclose whatever it wishes and in any suitable manner, provided that the disclosures made are sufficient to satisfy the statutory requirement. *Weil v. Freitz, Evans and Cooke*, 202 U.S.P.Q. 447, 450 (CCPA 1979). The courts must be vigilant, in consideration of §112 issues, against the, perhaps natural, desire of patentees to disclose as little as possible. *Flick-Reedy Corp. v. Hydro-Line Mfg. Co.*, 351 F.2d 546, 550-51 (7th Cir. 1965), *cert. denied*, 383 U.S. 958. Satisfaction of §112 may require voluminous disclosures as demonstrated in *Honeywell, Inc. v. Sperry Rand Corp.*, 180 U.S.P.Q. 673 (D.Minn.1973), in which a computer patent contained 91 sheets of drawings and 232 columns of printed text.

There is no objective standard by which to judge the adequacy of a best mode disclosure. *Application of Sherwood*, 613 F.2d 809 (CCPA 1980), *cert. denied*, 450 U.S. 994. The scope and magnitude of what must be disclosed is also influenced by the character of the particular art involved. The disclosures required in a patent related to an internal combustion engine, for example, are limited by the fact that such would deal with a standardized product which is well known to practitioners in the art. By contrast, there is no standardization of military weaponry since each weapon is unique unto itself. Though weapons are characterized by certain conventional details which are well known to those in the weapons art, there is much which is unique to every particular weapon. Bearing that distinction in mind, it is plaintiffs' position that it was incumbent on Colt to fully disclose the interchangeability specifications for the M-16 and its component parts to satisfy the best mode requirement of §112.

Of the many reported cases, the following are deemed to articulate the application of the best mode requirement. In the absence of countervailing evidence, the best mode for carrying

out the claimed invention can be presumed to be the existing commercial embodiment. *Union Carbide Corp. v. Borg-Warner Corp.*, 550 F.2d 355 (6th Cir. 1977).

In *Phillips Petroleum Co. v. Richardson Carbon Co.*, 293 F.Supp. 555 (W.D. Tex. 1968), the best mode of practicing the claimed invention was embodied in Phillips' commercial product which could not be produced from information disclosed in its patent. That finding was fortified by the existence of licensing agreements negotiated by Phillips, which required the licensees to keep the process for manufacturing its commercial product a closely guarded secret. To that degree, the factual background of Phillips closely parallels what the evidence in this cause reveals.

A patent which only mentioned a critical material by commingling it with other materials failed, by that commingling, to disclose the best mode for practicing the invention. *Dale Electronics, Inc. v. R.C.L. Electronics, Inc.*, 488 F.2d 382 (1st Cir. 1973).

There is a failure of the best mode requirement if information which is essential to production of the product is not disclosed. *Flick-Reedy Corp. v. Hydro-Line Mfg. Co.*, 351 F.2d 546, 550-51 (7th Cir. 1965), *cert. denied*, 383 U.S. 958 (1966).

There was a failure to disclose the best mode when, even though, as the patentee argued, other programs were available, it had retained as a trade secret that which it employed in its commercial product. *White Consolidated Industries, Inc. v. Vega Servo-Control, Inc.*, 214 U.S.P.Q. (S.D. Mich. 1982), *aff'd* 713 F.2d 788 (Fed. Cir. 1983).

The disclosure of the second best embodiment, where the patentee had a better embodiment, failed to disclose the best mode. *Engelhard Industries, Inc. v. Sel-Rex Corp.*, 253 F.Supp. 832 (D.N.J. 1966), *aff'd* 384 F.2d 877 (3d Cir. 1967).

The cases principally relied on by Colt arose when §112 was pleaded as a defense to a suit for patent infringement by defendants who had copied and were competing in the sale of the patented product. The argument in *In re Gay, supra*, was

that there was no best mode disclosure because the patent failed to specify the number, size and placement of perforations in a rice cooker. The court said that, despite that omission, any person skilled in the art would know that a number of perforations were necessary, and that the patented product could be produced by following the patent without undue experimentation, or perhaps with no experimentation. The court in *In re Strahilevitz*, 668 F.2d 1229 (CCPA 1982), found that the undisclosed information was already known in the prior art. The accused infringer in *Trio Process Corp. v. L. Goldstein's Sons, Inc.*, 461 F.2d 66 (3d Cir. 1972), *cert. denied*, 409 U.S. 997, had employed a metal worker to copy the patentee's patented product.

The court in *Standard Oil Co. v. Montedison S.p.A.*, 494 F.Supp. 370 (D. Del. 1980), *aff'd* 664 F.2d 356 (3d Cir. 1981), *cert. denied*, 456 U.S. 915, said that the best mode requirement is satisfied if the specification is sufficient to guide one skilled in the art to its successful application. The accused infringer argued in *International Telephone and Telegraph Corp. v. Raychem Corp.*, 538 F.2d 453 (1st Cir. 1976), *cert. denied*, 429 U.S. 886, that the best mode for production of an improved type of wire designed for use in the F-111 military fighter plane was not disclosed because the patentee had failed to disclose a secret compound employed in production of the patented wire.

Apparently accepting the findings of the trial court in *International Telephone and Telegraph Corp. v. Raychem Corp.*, 188 U.S.P.Q. (D. Mass. 1975), that the accused infringer had obtained a sample of the patentee's wire through which, after an analysis of its structure, it had been able to produce the patented product with "no difficulty," the court held that §112 disclosures were sufficient. *Illinois Tool Works, Inc. v. Solo Cup Co.*, 179 U.S.P.Q. 322 (N.D. Ill. 1973), presents a situation comparable to that in *Raychem*. Similarly, the court in *Atlas Powder Co. v. E.I. Du Pont de Nemours & Co.*, 588 F.Supp. 1455, (N.D. Tex. 1983), said that the ease with which the infringer had formulated the patented product was an indication that the patent disclosures were sufficient.

None of those cases derogates at all from the determinative inquiries of, what did the inventor know? what did he consider the preferred embodiment for using his invention? and did he withhold information known to him which would enable the public to reap the full benefits of competition upon the expiration of the patent?

The preferred embodiment of the invention in each of Colt's patents was the improvement of the M-16 military weapon, with the essential requirement that each of the parts modifications be fully interchangeable with the corresponding part in every M-16 ever produced. Plaintiffs assert the position that the mandate of §112 could be satisfied only by the disclosure of the critical interchangeability specifications. This court has expressly recognized the criticality of interchangeability in its preliminary injunction issued in the *Springfield* case, when it said:

"3. The evidence is clear and convincing that the use of the designation 'M-16' in Springfield's contract with the government of El Salvadore amounts to a representation that the Springfield XM-15 rifle is in all respects the equivalent and fully interchangeable with the U.S. Army M-16, with full parts interchangeability, when none of such is now shown by the evidence to be the case in any important respect."

There appears a sharp contrast between Colt's position, taken in pursuit of the *Springfield* preliminary injunction, that complete interchangeability was the one factor of extreme importance, and that failure of full interchangeability could be fatal to the combat infantryman, and its present position that parts interchangeability is a common feature of all mass produced products. Of Colt's present position, plaintiffs observe that, "What Colt Industries assiduously avoids is the fact that interchangeability is not a means for maintaining a monopoly in those other industries as it is for the standard U.S. military rifles." Colt's present position ignores the fact that the firearms industry is not standardized, as, for example, the automobile industry. Mr. Waterman recognized that distinction when he testified:

"I think one of the things that has happened over a period of time in the firearms business is you normally try and utilize, if possible, standard parts, and almost 100 percent of the time it's not possible."

Thus Colt's present position that M-16 parts can be produced without undue experimentation is rejected by statements by its own experts in *Springfield* and in the posture of the present case. M-16 parts might be produced through reverse engineering, but, if so, that would entail a massive undertaking. Use of reverse engineering is also hindered by provisions in Colt's contracts with the Government, that no scrap parts be sold to unauthorized persons unless such parts are damaged and unrepairable.

The situation in *Wilden Pump & Engineering v. Pressed & Welded Products*, 199 U.S.P.Q. (N.D.Cal.1978), *aff'd* 213 U.S.P.Q. 282 (9th Cir. 1981), is interesting. The patent involved had omitted disclosure of dimensions and tolerances for an activator valve employed in the patentee's pump. The court rejected a §112 defense upon its findings that the accused infringers had been able to mass produce that valve by using ordinary engineering practices to supply that information and permit the mass production of the part. That accused infringer had no substantial difficulty in duplicating the patented item by reverse engineering. That same consideration is doubtless present in almost all situations which deal with standardized products. Standardization tends to produce a field of prior knowledge essential to permit the copying of the patentee's commercial product with little effort by the application of reverse engineering. The totality of the undisputed evidence indicates that that is not true in the art of military weaponry. As plaintiffs argue, this is a unique situation which must be resolved independently by this court, guided, however, by the precedent of decided and controlling decisions.

Plaintiffs' statement is deemed to fully and clearly present the issue of "best mode" involved here, and the conclusion. Framed in their language, it is:

To consider the issue [of best mode] in proper perspective, we must look to the facts to clearly sort out the unique fact situation we have here:

1. First, we have here the uncommon situation where the critical dimensions and tolerances cannot be reverse engineered;

2. Second, we also have here the uncommon situation where interchangeability is an absolutely essential requirement of the customers, amounting to a situation of life and death on occasion;

3. Third, we have the uncommon situation that this absolutely essential requirement must be maintained for production extending of (sic) a period of very many years;

4. Fourth, we also have here the situation where the dimension and tolerances necessary for interchangeability were known by the inventor to be important at the time of filing the patent applications; and

5. Fifth, we have the situation where the patent applications are on an improved component which is interchangeable with and serves as a replacement for a corresponding component of a much larger standard U.S. product, which even more uniquely has the U.S. standards privately and secretly owned by the patent applicant.

Applying the above facts under the standard of Section 112 must [lead to] the conclusion that at least the crucial interchangeability specifications should have been in the patent.

There can be no question that the preferred embodiment of each of the patents is the incorporation of the patented structure into the standard M-16 military rifle. That is the only mode for practicing the invention since it seems clear that the parts could not be employed in any other existing weapon. That finding and conclusion merely fortifies the uniqueness of this situation, which was previously noted. As also previously noted, a Colt expert said that the arms manufacturer seeks a standardized embodiment for general use which is unattainable almost 100 percent of the time.

Plaintiffs' careful analysis of Colt's receiver and bolt assist patent (No. 3,236,155), trigger mechanism patent (No. 3,292,492), and magazine patent (No. 3,619,929) is seen to apply to all of the patents in issue. Each describes the claimed invention in a generalized way, without disclosing the critical details of construction and, most importantly, the elements of structural detail and tolerances required to achieve the paramount requirement of full interchangeability of parts among all M-16 weapons produced over more than 20 years. That information was essential if the patent disclosures were to satisfy the §112 requirement that the best mode for practicing the invention be disclosed. There can be no doubt that all of this critical information was known to Colt's patent applicants when the patent applications were processed.

A consistent pattern emerges when the several patents are compared. In each, Colt failed to disclose that information which was essential to disclosure of the best mode then known to the patentee for practicing the claimed invention. Colt obviously sought to insulate its position by the provisions in its licensing agreements which were designed to forestall disclosure of such concealed information which Colt claimed as its proprietary property under the laws related to trade secrecy. To that end, it has transmitted threatening correspondence to some of its licensees to further insulate that information from disclosure to other persons. It seems obvious that such actions were designed to perpetuate Colt's monopoly on the production of the M-16 rifle and its component replacement parts. The picture which emerges is that Colt reaped the benefits of its limited monopoly under the patents and seeks to extend it by means of planned subterfuge and a near total failure of compliance with the requirements imposed by §112.

Plaintiffs rely on both equity and the doctrine of federal supremacy as supporting their position that the claimed trade secrets are invalid and unsupportable. Colt's response to that argument is its assertion, in effect, that if there was non-compliance with §112, the only available remedy is the invalidation of its patents, most of which have already expired. Its

corollary argument is that its misuse of the patent laws cannot affect its proprietary interest in its claimed trade secrets under state law. That argument is unsound.

Under the doctrine of federal supremacy, the patent laws do preempt application of state trade secrecy laws whenever enforcement of the state law would conflict with the accomplishment and execution of the full purpose and objectives of the patent laws as enacted by Congress. *Hines v. Davidowitz*, 312 U.S. 52, 67, (1941). The patent laws enacted under the Constitution are the supreme law of the land which cannot be set at naught and the benefits thereof denied by the application of state law. *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229, (1964). A state may not apply its own laws in such a way as would extend the monopoly of an expired or invalid patent or afford any protection which is inconsistent with the objectives of the federal patent laws. *Ibid.* at 231. The nature and extent of the legal consequences of the expiration or invalidation of a patent are federal questions which must be answered by the application of the patent laws and the policy which they adopt. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255-256, (1945). "Hence any attempted reservation or continuation in the patentee * * * of the patent monopoly, after the patent expires, whatever the legal device employed, runs counter to the policy and purpose of the patent law."

Both *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), and *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974), upon which Colt relies, are inapposite. In *Aronson*, no patent had been issued although a patent application had been filed, while in *Kewanee* there had been no application for a patent. Thus, the court was not dealing with any potential conflict between the patent laws and the state laws of trade secrecy.¹

¹ In this context, plaintiffs assert that the opinion in *Colt Industries v. Springfield Armory*, *supra*, should be accepted as the law of the case, citing *Gindes v. United States*, 740 F.2d 947 (Fed. Cir. 1984). The reference is to language in that opinion that courts generally refuse to reopen what has already been decided. See *Messenger v. Anderson*, 225 U.S. 436, 444 (1912). Previous discussion of *Springfield* herein delimits this court's interpretation of that opinion, which clearly indicated that it will not be presumed that the Federal Circuit did decide an issue which was not before it. Plaintiffs' reliance on the doctrine of the law of the case is this misplaced.

As stated above, the court finds that the disclosures made in Colt's several M-16 parts patents are insufficient to satisfy either the enablement or best mode requirements of §112. It follows that each of those patents was invalid from its inception and that any claim of trade secrecy as to the nondisclosed information is likewise invalid.

REMEDY

The remaining issues devolve into a determination as to the appropriate remedy. Plaintiffs assert that Colt should be required to disgorge its claimed trade secrets. Its argument is not limited to those items which were required to be disclosed. It also argues that Colt should disgorge all material which it claims as its trade secrets, because of its misuse of the patent system and because of its unjust enrichment by use of the invalid patents for which it had wholly failed to provide the consideration which the patent laws require. Reiterating, that consideration is full and complete disclosure which would enable the public to freely practice the invention once a patent has expired.

That position is supported by *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (1920), which held that a patentee cannot, in equity, claim trade secrecy for conventional information which could readily have been discovered had the required disclosures been made in its patent. The trade secrecy laws cannot be invoked to protect production specifications which could have been reverse engineered had the critical interchangeability specifications been properly disclosed. See *Rototron Corp. v. Lake Shore Burial Vault Co., Inc.*, 712 F.2d 1214 (7th Cir. 1983); *ILG Industries, Inc. v. Scott*, 49 Ill.2d 88, 273 N.E.2d 393 (1971). Moreover, the period for the enforcement of the claimed trade secrets, which could have been discovered by reverse engineering, would doubtless have ended years ago had the essential specifications been disclosed. See *Syntex Ophthalmics, Inc. v. Novicky*, 591 F.Supp. 28 (N.D. Ill. 1983), *aff'd* 28 Patent, Trademark & Copyright J. (BNA) 717 (Fed. Cir. 1984).

The clean hands doctrine also bears upon this phase of the case. As stated by the Court in *Precision Instrument Manufacturing Co. v. Automotive Machinery Co.*, 324 U.S. 806, 814, 815 (1945):

"Thus while equity does not demand that its suitors shall have led blameless lives, as to other matters, it does require that they shall have acted fairly and without fraud or deceit as to the controversy in issue."

Colt must bear the consequences of its flagrant abuse of the patent laws.

Colt's assertion that Christianson is guilty of having induced the breach of its licensing agreements, both as a defense to plaintiffs' motion and as the basis for its counterclaims, is not sustained. Although Christianson is a former Colt employee, it is not alleged that he has been guilty of corporate espionage, theft, bribery, or deception in his obtaining the Colt specifications which he has used. They were supplied to him by the governments of the Philippines and Singapore.

Moreover, the license agreements themselves are tainted by Colt's misuse and evasion of the patent laws. As plaintiffs suggest, had the required disclosures been made in the patents, the supplementary information would probably have been discovered by others long before the now-elapsed time of about twenty years. Secrecy would thus have evaporated with the issuance of the patents. *Forest Laboratories v. Pillsbury Co.*, 452 F.2d 621, 624 (7th Cir. 1971). Colt's failure to make the required disclosures not only invalidates its patents but also its present claims of trade secrecy. The licensing agreements themselves can stand in no better stead without undermining the purposes of the patent laws.

The cases cited by Colt are deemed inapposite. *E.g.*, *American Can Co. v. Mansukhani*, 728 F.2d 818 (7th Cir. 1984); *Syntex Ophthalmics, Inc. v. Tsuetaki*, 701 F.2d 677 (7th Cir. 1983); *E.I.M. Co. v. Philadelphia Gear Works, Inc.*, 102 F.Supp. 14 (S.D. Tex. 1951), *aff'd* 205 F.2d 28 (5th Cir. 1953). None of those cases involved a situation such as this in which

the claimed trade secrecy information had been withheld from disclosure by the patentee in violation of §112.

Little need be said about Colt's cross-motion for summary judgment. As the court said in *First National Bank v. Insurance Company of North America*, 606 F.2d 760, 766 (7th Cir. 1979), the moving party must present admissible evidence showing its entitlement to judgment, not just contentions, assertions of counsel, or hearsay. It cannot be found that Colt has met that burden.

Plaintiffs' motion for summary judgment must be allowed as to liability on Counts I and II, and Colt's cross-motion for summary judgment must be denied.

IT IS ORDERED, therefore, that plaintiffs' motion for summary judgment is ALLOWED as to liability on Counts I and II of the Complaint, and defendant's motion for summary judgment is DENIED.

IT IS FURTHER ORDERED that plaintiffs shall submit to the court and serve on defendant, within 30 days hereafter, its proposed final judgment order on liability, which shall be consistent with this opinion, on which the defendant shall file and serve any comments as to form within 10 days after service.

/s/ Robert D. Morgan
United States District Judge

Entered: May 24, 1985

Appendix F

April 10, 1984

Mr. Bruce Lambert
Lone Star Ordnance
P.O. Box 29404
San Antonio, Texas 78229

Dear Mr. Lambert:

I would like to clarify some points raised in your March 7, 1984, letter, as well as your December 30, 1983, letter to Mr. Stone, which has been referred to me.

Enclosed is a copy of Colt's federal registration for "AR-15." "M16" is not federally registered, nor did I state it was. It is a common law mark associated with Colt and a representation of quality and designation of origin under the federal Lanham Act. "M16" means the rifle and parts are manufactured by or under license from Colt and accepted by the United States Army as its standard rifle, which meets or exceeds all of the military specifications, including government specified inspection and testing.

You raise the question of "reverse-engineering." In theory, "reverse-engineering" may not infringe Colt's rights, provided, among other things, that the designer legitimately "reverse-engineers" parts that do not infringe any unexpired Colt patents, using information derived solely from his analysis of the parts and not Colt or Colt-derived proprietary information. In practice, however, Colt and others who have considered the problem seriously question whether such an undertaking is possible, in that the resulting parts would not in fact be equivalent to and interchangeable with Colt parts. A part that does not carry an assurance of interchangeability with existing "M16" parts should not in any circumstances be designated, labeled, or advertised as an "M16" part.

I would also like to clarify what may be a misunderstanding about what you refer to as "the right to re-sell parts that are

available in the open market from legitimate sources." We would not dispute your statement as such, but point out two crucial questions: What is a legitimate source, and how are re-sold parts being labeled and advertised? We do not as yet know the source of the parts you are selling, and one of the purposes of my letter was to inquire about your sources and to put you on notice of one flagrantly illegitimate source of which we have become aware: Charles Christianson and his International Trade Services company. Foreign licensees of Colt are also forbidden by contract as well as by United States laws and regulations to make such sales.

In fact, the only legitimate source of "M16" parts is Colt, inasmuch as the United States Government, Colt's only current licensee, is forbidden by its license from selling "M16" rifles or parts commercially and by its own regulations from selling usable surplus parts; and suppliers of Colt and the Government are contractually precluded from selling parts made with Colt proprietary data, as are foreign licensees of Colt. If you are selling used or reconditioned "M16" parts, then it is false or deceptive to designate, label or advertise them as though they were new.

Because of your specific inquiry, I advise you that Colt is the owner by assignment of the following unexpired United States Letters Patent relating to certain features of Colt's "M16" rifles: No. 3,366,011 (Buffer Assembly) issued January 30, 1968; No. 3,618,24 (Buttstock Assembly) issued November 9, 1971; No. 3,440,751 (Magazine) issued April 29, 1969; and No. 3,619,929 (Magazine) issued November 16, 1971; and No. 3,348,328 (Adjustable Buttstock Assembly) issued October 24, 1967.

If your letters were written in good faith and to avoid potential litigation, as I assume they were, then I would urge you to write or call me about the sources of the parts you have been selling and to ensure that your future sales and advertising do not violate Colt's rights.

Very truly yours,

/s/ Kim J. Landsman

Appendix G

September 14, 1984

Mr. Bruce Lambert
Lone Star Ordnance
P.O. Box 29404
San Antonio, Texas 78229

Dear Mr. Lambert:

I appreciate the time and thought put into your June 6, 1984, letter, as well as your confirmation that Lone Star will change its advertising to avoid the problems I have previously raised. I also apologize for the length of time taken to respond. Although I hope that there will be no need for continued lengthy correspondence, several points raised in your letter deserve a response.

The authority for my statement as to the meaning of "M16" consists of caselaw under the Lanham Act. The origin of a term for a product, or even a nickname, is not determinative of whether the term may be considered a trademark. What matters is whether the source of the product has adopted the term and whether that term has become associated with a single source. Thus, that "M16" is a designation that came from the Army is not determinative; what is determinative is that Colt adopted and has advertised that designation, and that it has come to be associated with one source: Colt. You may also wish to know that the Final Judgment in the Springfield Armory litigation enjoins those defendants from "using the designation 'M16' other than to refer to rifles or parts made by Colt or pursuant to its licenses an made to Colt or U. S. Government specifications." A copy of the judgment is enclosed.

I also enclose, per your request, a copy of the U. S. Government's demilitarization manual. The Government is also prohibited by its license agreement with Colt, by which it obtained the ability to have "M16" parts made for it, from selling "M16" parts commercially. We appreciate your information that the

Government has not always complied with its demilitarization regulations and license agreement and intend to pursue the problem with the Government. Nevertheless, whether or not there is a legal barrier to your buying Government surplus, you are still obliged not to mislead the public about the source or quality of the parts obtained — *e.g.*, used or salvaged parts should not be advertised as though they were new. Note, in this respect, paragraph 2(h) of the enclosed Consent Judgment.

As to your comments about reverse engineering, you have greatly oversimplified the problem in stating that it can be done with a microcomputer, good measuring instruments, and a cheap computer program. The most sophisticated computer's product is no better than the information put in and the program used to evaluate it. Whatever information is placed into the computer from the standpoint of raw data such as tolerances and dimensions can only be made meaningful if properly oriented by the use of baselines, datums, basic dimensions, etc. Much of this, beyond a very rudimentary level, would entail a very sophisticated set of software that would have to be written specifically for this task, and would be nearly impossible without knowledge of currently used information from Colt drawings.

As to the ability you claim to be able to establish tolerances from measuring ten parts, all that measuring ten parts could possibly give you is a projected tolerance range of those parts, not the acceptable tolerance spread necessary for all such parts. You beg the question by speaking of "evaluating a sufficient number of representative parts." How would you know whether any specific ten parts you were measuring were representative? You would not in fact know whether any given parts were made consecutively yesterday or over a span of many years. Nor would you know whether one or more of the parts fell outside the tolerance band if, for example, they were accepted on waiver, or whether the dimensions and tolerance spread measured were acceptable to the mating sets of tolerances in another sub-assembly or assembly.

Consider, for example, a dimension that is produced by the size of the cutter used, such as the width of a slot. A new cutter is made to the maximum size possible to produce a slot width within tolerance. This new cutter cuts slots to the maximum width end of the tolerance spread and continues to make pieces in this area until the cutter becomes dull, after perhaps 500 pieces, depending upon conditions. The cutter is then reground to sharpen it. It now produces slot widths which all tend to be smaller than those produced with the new cutter. This process of regrinding continues until the cutter is producing slot widths at the minimum width end of the tolerance spread. After that point, it is discarded. It seems very unlikely to me that by measuring the slot width of ten pieces produced with, say, a new cutter you would deduce either the correct basic dimension or the correct tolerance.

Finally, I am not surprised that Mr. Christianson told you that the parts he sold were equal in quality to Colt-made parts, since the evidence is that he illegally bought them from a Colt supplier. We have been told that this activity has ceased.

I hope this letter will lay the issues to rest. If you have any further questions, please feel free to write or even call.

Very truly yours,

/s/ Kim J. Landsman

Appendix H

**In the United States District Court
For the Central District of Illinois
Rock Island Division**

CHARLES R. CHRISTIANSON AND)	
INTERNATIONAL TRADE SERVICES,)	
INC.,)	
a Massachusetts corporation,)	
)	
<i>Plaintiffs,</i>)	
	)	Civil Action No.
vs.	)	84-4056
)	
COLT INDUSTRIES OPERATING CORP.,)	
a Delaware corporation,)	
)	
<i>Defendant.</i>)	

AFFIDAVIT OF SETH BREDBURY

County of Hartford)	
	)	ss
State of Connecticut)	

Seth Bredbury, being duly sworn, states:

1. I am a United States citizen, 43 years old, and reside at Beech Hill Road, Colebrook, Connecticut.
2. I received a Bachelor of Science degree from the Massachusetts Institute of Technology in 1964. After graduation from M.I.T., I was employed by the United States government's Springfield Armory in a training program. Springfield Armory was engaged in the design and production of military small arms and I became a test engineer involved in testing those products. I have been advised that this * * *

12. United States Patent No. 3,236,155 is discussed beginning at page 45 of plaintiffs' brief. The '155 patent issued February 22, 1966 on an application filed July 8, 1964, in the name of the inventor, F. E. Sturtevant, and is now expired. The '155 patent is directed to a manually operated auxiliary bolt closure mechanism. The patent drawings illustrate the use of such a mechanism in an "M16" rifle, and I know that it was used in the "M16A1" production version. In my opinion the mechanism could be used with many other gas-operated automatic or semiautomatic firearms with enclosed bolts. Claims 1-7 define the mechanism in a gas-operated firearm, while claims 8-15 are specific to the mechanism subassembly itself. In my opinion, one of ordinary skill in the art of designing and producing firearms as of July 1964 would have been able, based on a study of the '155 patent disclosure, to produce a gas-operated firearm of the type shown incorporating the invention defined in claims 1-7, or make a subassembly as defined in claims 8-15 and incorporate it into such a gas-operated firearm, without undue experimentation. The '155 patent drawings and specification clearly show how the claimed invention interacts and integrates with a particular gas-operated firearm, the "M16" rifle. Plaintiffs apparently do not contend (see Br. pp. 52-53) that any elements or features of the claimed invention that are shown in the preexisting drawings were omitted from the '155 patent disclosure, and I am not aware, and have not been advised, of a better mode that existed as of July 1964 for practicing the claimed invention than that disclosed in the patent. As best I can determine from plaintiffs' brief, their only contention is that the '155 patent does not disclose production specifications and therefore does not explicitly teach how to make parts and subassemblies that would be interchangeable with those of a genuine Colt "M16" rifle, but the patent claims do not require that the parts and subassemblies be interchangeable in that manner.

* * *

Appendix I

28 U.S.C. §1295

Jurisdiction of the United States Court of Appeals for the Federal Circuit

(a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —

(1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title;

(2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), 1346(e), or 1346(f) of this title or under section 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;

(3) of an appeal from a final decision of the United States Claims Court;

(4) of an appeal from a decision of —

(A) the Board of Patent Appeals and Interferences of the Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

(B) the Commissioner of Patents and Trademarks or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. §1071); or

(C) a district court to which a case was directed pursuant to section 145 or 146 of title 35;

(5) of an appeal from a final decision of the United States Court of International Trade;

(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. §1337);

(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under headnote 6 to schedule 8, part 4, of the Tariff Schedules of the United States (relating to importation of instruments or apparatus);

(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. §2461);

(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5; and

(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 8(g)(1) of the Contract Disputes Act of 1978 (41 U.S.C. §607(g)(1)).

(b) The head of any executive department or agency may, with the approval of the Attorney General, refer to the Court of Appeals for the Federal Circuit for judicial review any final decision rendered by a board of contract appeals pursuant to

the terms of any contract with the United States awarded by that department or agency which the head of such department or agency has concluded is not entitled to finality pursuant to the review standards specified in section 10(b) of the Contract Disputes Act of 1978 (41 U.S.C. §609(b)). The head of each executive department or agency shall make any referral under this section within one hundred and twenty days after the receipt of a copy of the final appeal decision.

(c) The Court of Appeals for the Federal Circuit shall review the matter referred in accordance with the standards specified in section 10(b) of the Contract Disputes Act of 1978. The court shall proceed with judicial review on the administrative cases pending in such court, shall determine the issue of finality of the appeal decision, and shall, if appropriate, render judgment thereon, or remand the matter to any administrative or executive body or official with such direction as it may deem proper and just.

28 U.S.C. §1291

The courts of appeals (other than the United States Court of Appeals for the Federal Circuit) shall have jurisdiction of appeals from all final decisions of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, except where a direct review may be had in the Supreme Court. The jurisdiction of the United States Court of Appeals for the Federal Circuit shall be limited to the jurisdiction described in sections 1292(c) and (d) and 1295 of this title.

28 U.S.C. §1338

Patents, plant variety protection, copyrights, trademarks, and unfair competition

(a) The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to pat-

ents, plant variety protection, copyrights and trade-marks. Such jurisdiction shall be exclusive of the courts of the states in patent, plant variety protection and copyright cases.

(b) The district courts shall have original jurisdiction of any civil action asserting a claim of unfair competition when joined with a substantial and related claim under the copyright, patent, plant variety protection or trade-mark laws.

28 U.S.C. §1631

Whenever a civil action is filed in a court as defined in section 610 of this title or an appeal, including a petition for review of administrative action, is noticed for or filed with such a court and that court finds that there is a want of jurisdiction, the court shall, if it is in the interest of justice, transfer such action or appeal to any other such court in which the action or appeal could have been brought at the time it was filed or noticed, and the action or appeal shall proceed as if it had been filed in or noticed for the court to which it is transferred on the date upon which it was actually filed in or noticed for the court from which it was transferred.

15 U.S.C. §1

Trusts, etc., in restraint of trade illegal; penalty

Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared to be illegal. Every person who shall make any contract or engage in any combination or conspiracy hereby declared to be illegal shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or, if any other person, one hundred thousand dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

15 U.S.C. §2

Monopolizing trade a felony; penalty

Every person who shall monopolize, or attempt to monopolize, or combine or conspire with any other person or persons, to monopolize any part of the trade or commerce among the several States, or with foreign nations, shall be deemed guilty of a felony, and, on conviction thereof, shall be punished by fine not exceeding one million dollars if a corporation, or if any other person, one hundred thousand dollars, or by imprisonment not exceeding three years, or by both said punishments, in the discretion of the court.

15 U.S.C. §15

Suits by persons injured

(a) Amount of recovery; prejudgment interest

Except as provided in subsection (b) of this section, any person who shall be injured in his business or property by reason of anything forbidden in the antitrust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee. The court may award under this section, pursuant to a motion by such person promptly made, simple interest upon actual damages for the period beginning on the date of service of such person's pleading setting forth a claim under the antitrust laws and ending on the date of judgment, or for any shorter period therein, if the court finds that the award of such interest for such period is just in the circumstances. In determining whether an award of interest under this section for any period is just in the circumstances, the court shall consider only—

(1) whether such person or the opposing party, or either party's representative, made motions or asserted

claims or defenses so lacking in merit as to show that such party or representative acted intentionally for delay, or otherwise acted in bad faith;

(2) whether, in the course of the action involved, such person or the opposing party, or either party's representative violated any applicable rule, statute, or court order providing for sanctions for dilatory behavior or otherwise providing for expeditious proceedings; and

(3) whether such person or the opposing party, or either party's representative, engaged in conduct primarily for the purpose of delaying the litigation or increasing the cost thereof.

(b) Amount of damages payable to foreign states and instrumental titles of foreign states

(1) Except as provided in paragraph (2), any person who is a foreign state may not recover under subsection (a) of this section an amount in excess of the actual damages sustained by it and the cost of suit, including a reasonable attorney's fee.

(2) Paragraph (1) shall not apply to a foreign state if—

(A) such foreign state would be denied, under section 1605(a)(2) of Title 28 immunity in a case in which the action is based upon a commercial activity, or an act, that is the subject matter of its claim under this section;

(B) such foreign state waives all defenses based upon or arising out of its status as a foreign state, to any claims brought against it in the same action;

(C) such foreign state engages primarily in commercial activities; and

(D) such foreign state does not function, with respect to the commercial activity, or the act, that is the subject matter of its claim under this section as a procurement entity for itself or for another foreign state.

(c) Definitions

For purposes of this section—

(1) the term "commercial activity" shall have the meaning given it in section 1603(d) of Title 28, and

(2) the term "foreign state" shall have the meaning given it in section 1603(a) of Title 28.

15 U.S.C. §26

Injunctive relief for private parties; exception; costs

Any person, firm, corporation, or association shall be entitled to sue for and have injunctive relief, in any court in the United States having jurisdiction over the parties, against threatened loss or damage by a violation of the antitrust laws, including sections 13, 14, 18, and 19 of this title, when and under the same conditions and principles as injunctive relief against threatened conduct that will cause loss or damage is granted by courts of equity, under the rules governing such proceedings, and upon the execution of proper bond against damages for and injunction improvidently granted and a showing that the danger of irreparable loss or damage is immediate, a preliminary injunction may issue: Provided, That nothing herein contained shall be construed to entitle any person, firm, corporation, or association, except the United States, to bring suit in equity for injunctive relief against any common carrier subject to the provisions of subtitle IV of Title 49, in respect of any matter subject to the regulation, supervision, or other jurisdiction of the Interstate Commerce Commission. In any action under this section in which the plaintiff substantially prevails, the court shall award the cost of the suit, including a reasonable attorney's fee, to such plaintiff.

35 U.S.C. §112

Specification

The specification shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any

person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention.

A claim may be written in independent or, if the nature of the case admits, in dependent or multiple dependent form.

Subject to the following paragraph, a claim in dependent form shall contain a reference to a claim previously set forth and then specify a further limitation of the subject matter claimed. A claim in dependent form shall be construed to incorporate by reference all the limitations of the claim to which it refers.

A claim in multiple dependent form shall contain a reference, in the alternative only, to more than one claim previously set forth and then specify a further limitation of the subject matter claimed. A multiple dependent claim shall not serve as a basis for any other multiple dependent claim. A multiple dependent claim shall be construed to incorporate by reference all the limitations of the particular claim in relation to which it is being considered.

An element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specifications and equivalents thereof.

35 U.S.C. §154

Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, for the term of seventeen years, subject to the payment of fees as provided for in this title, of the right to exclude others from making, using,

or selling the invention throughout the United States, referring to the specification for the particulars thereof. A copy of the specification and drawings shall be annexed to the patent and be a part thereof.

No. 87-499

FILED
OCT 30 1987

JOSEPH F. SPATOL, JR.
CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1987

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

vs.

COLT INDUSTRIES OPERATING CORP.,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

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October 30, 1987

QUESTIONS PRESENTED

1. Did the Court of Appeals for the Federal Circuit have jurisdiction over Colt's appeal? If so, there is no jurisdictional question presented, since the Federal Circuit was the proper court to decide the merits. If not, is there any reason to correct an error as to which court of appeals should have exercised appellate jurisdiction, where such an error affects only the parties to this unusual case?

2. Should this Court review the Federal Circuit's application of the long standing rule that 35 U.S.C. § 112 does not require the disclosure of the dimensions, tolerances and other manufacturing data for the patentee's commercial product that are not claimed in the patents?

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No. 87-499

IN THE
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CHARLES R. CHRISTIANSON and
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COLT INDUSTRIES OPERATING CORP,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF IN OPPOSITION

Respondent Colt Industries Operating Corp ("Colt")¹ respectfully requests that this Court deny the petition by Charles R. Christianson and International Trade Services, Inc. (collectively "Christianson") for a writ of certiorari to review the opinion and judgment of the Federal Circuit entered on June 25, 1987 (PA-1-40).

¹ Colt Industries Operating Corp is a wholly owned subsidiary of Colt Industries Inc.

STATEMENT OF THE CASE

Colt appealed to the Court of Appeals for the Federal Circuit from the "final judgment on liability" and injunction entered on July 19, 1985 by the United States District Court for the Central District of Illinois (PA-67-71). That judgment, *inter alia*, invalidated nine Colt patents as a matter of summary judgment, declared all of Colt's trade secrets relating to the "M16" rifle to be void, permanently enjoined Colt from enforcing any of those trade secrets, and imposed, without discussion, antitrust and tort liability (PA-67-71). On Christianson's motion, the Federal Circuit transferred Colt's appeal to the Seventh Circuit pursuant to 28 U.S.C. § 1631 (PA-63-64). After full briefing and argument, the Seventh Circuit *sua sponte* transferred it back (PA-41). The Federal Circuit thereupon concluded that despite its view that the Seventh Circuit should have decided the appeal, the interest of justice compelled it to decide the merits (PA-27-28, 36). The Federal Circuit made short work of the district court's decision on the merits, agreeing with Colt that "the district court: focused on *no claim* in any Colt patent; relied on facts not in the record; misconstrued affidavit testimony; found antitrust liability not requested in Christianson's summary judgment motion; and relied on unprecedented legal conclusions in invalidating Colt's trade secrets and in holding Colt liable" (PA-30) (emphasis in original).

The only issue on which any of the appellate judges disagreed was jurisdiction: whether Christianson's complaint arose at least in part under the patent laws, thus making Colt's appeal properly to the Court of Appeals for the Federal Circuit pursuant to 28 U.S.C. § 1292(c), or whether, if the complaint did not seek relief under the patent laws, the appeal should have been to the Court of Appeals for the Seventh Circuit under § 1292(a). Both courts characterized the complaint as "inartfully drafted" (PA-4, 44), which made the task of determining jurisdiction a difficult one. (A copy of Christianson's complaint is annexed hereto as an appendix.) The Seventh Circuit unanimously concluded, from its analysis of the "substance of the complaint," that this case arose under the patent laws, therefore placing the appeal

within the exclusive jurisdiction of the Federal Circuit (PA-61). Two members of the Federal Circuit panel disagreed, but were nevertheless reluctant to re-re-transfer the appeal, or certify the jurisdictional question to this Court.² The Federal Circuit therefore unanimously decided the merits (PA-27-28).

Although both courts of appeals had difficulty discerning the jurisdictional basis of the complaint, there was never any question that Christianson's motion for summary judgment and the district court's decision depended on finding Colt's patents invalid under 35 U.S.C. § 112. Christianson's motion advanced the novel theory that Colt's failure to disclose the manufacturing specifications for the "M16" rifle in nine patents for various improvements and accessories developed for that rifle invalidated those patents.³ Christianson went on to assert, and the district court held, that this failure of disclosure also invalidated all of Colt's trade secrets "relating to the M-16" (PA-69).⁴ The district court further held that Colt's "flagrant abuse of the patent laws" was a violation of the antitrust laws (PA-90-91).

² Judge Nichols, in a concurring and dissenting opinion, would have found jurisdiction by accepting the Seventh Circuit's decision (PA-37-40).

³ The district court found each of the nine challenged Colt patents "invalid from its inception" (PA-89), based on its finding that Colt had failed to comply with § 112. It is worth noting that Christianson did not challenge any of the 16 original patents covering the rifle's basic design features, but only challenged later patents Colt obtained on improvements. Moreover, Colt did not request that its patents be invalidated, as the petitioner and the Federal Circuit suggest (Pet. 10) (PA-6). Colt merely requested that the district court's judgment specify by number the nine patents the court had already declared invalid, since it was not clear either from Christianson's motion or the court's decision exactly which patents had been invalidated (PA-89).

⁴ Christianson's main object throughout has been to establish his right to use Colt's engineering drawings for all the parts employed in the "M16" rifle. Colt protected this conventional manufacturing data, consisting of the dimensions, tolerances, materials, tooling and other specifications for manufacturing parts, by such means as placing proprietary legends on its drawings, restricting its suppliers' and licensees' use of the drawings, and requiring employees to sign confidentiality agreements (PA-42-43).

Christianson was familiar with Colt's restrictions, by virtue of being a former
(Footnote Continued)

The Federal Circuit held that "[t]he district court's view that Colt violated section 112, by failing to disclose in each of its nine patents all its dimensions, tolerances, and production drawings needed to mass produce the M-16 rifle, rested on an error of law" (PA-31).⁵ The district court's critical error was its failure to measure patent disclosure by the *claimed* inventions (PA-33). Colt had presented uncontradicted evidence to the district court showing that its patents did disclose sufficient information to enable persons skilled in the art to make and use the claimed inventions, and to illustrate the best mode known to the inventor of employing the claimed inventions (e.g., PA-108). The district court, however, erroneously focused on whether the patents disclosed sufficient information to enable the mass production of parts interchangeable with those used in Colt's commercial product.

As the Federal Circuit found, "interchangeability with M-16 parts appears nowhere as a limitation in any claim" (PA-33). Therefore, "there is nothing whatever to indicate that Christianson is unable to make and use the *claimed* inventions" (*Id.*) (emphasis in original). Nor could the Court of Appeals discern any policies of the patent system that would require such detailed disclosure:

[T]he law has never required that a patentee who elects to manufacture its claimed invention must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention. Nor is it an objective of the patent system to supply, free of charge, production data and production drawings to competing

Colt employee. After he left Colt, Christianson improperly obtained Colt's proprietary drawings from Colt's former licensees, the Governments of the Philippines and Singapore. He used those drawings, and copies of those drawings, to purchase "M16" parts for resale to others in the United States and abroad (PA-3, 43, 94, 97; joint appendix below, A-83-86, 369-83).

⁵ Judge Nichols more pointedly called the district court's opinion "preposterous" and Christianson's theory "absurd" (PA-37,40).

manufacturers. And that is well, for such a requirement would be irrational. Many inventions are never manufactured; the decision to manufacture may be taken well after the patent has issued; printing a thousand or more documents in the patent would often be required. For those and other reasons, the law requires that patents disclose inventions, not mass-production data, and that patents enable the practice of inventions, not the organization and operation of factories. The requirement for disclosure of sufficient information to enable one skilled in the art to practice the best mode of the *claimed* invention is and has been proven fully adequate for over 150 years.

(PA-32) (emphasis in original). As the Federal Circuit found, "[t]he district court's only basis for invalidating Colt's claim to production trade secrets was its view that failure to disclose them constituted non-compliance with section 112" (PA-34). There being no basis for finding a § 112 violation, no basis remained for the district court's rulings invalidating Colt's trade secrets or finding Colt liable for antitrust violations (PA-35). The court therefore reversed and vacated the district court's decision in its entirety.

REASONS FOR DENYING THE WRIT

A. *The Jurisdictional Issue Does Not Present an Important Question.*

1. *The Federal Circuit Properly Exercised Jurisdiction.*

The exercise of jurisdiction by a court of appeals with the statutory authority to exercise jurisdiction does not present a question worthy of certiorari. That is all that occurred here. If the Federal Circuit had jurisdiction, the Federal Circuit's dicta disagreeing with the Seventh Circuit's jurisdictional holding does not matter. It is also of no substantial importance whether the Federal Circuit had the authority to decide Colt's appeal for the reasons expressed in Judge Markey's opinion (PA-27-28), for the reasons expressed in Judge Nichols' concurring and dissenting opinion (PA-37-40), or for the reasons expressed in the Seventh Circuit's opinion (PA-48-62). So long as the Federal Circuit did in fact have jurisdiction, it was proper for that court to decide the merits of the appeal.

The Federal Circuit had jurisdiction, in Colt's and the Seventh Circuit's view, because the theory of Christianson's complaint would be defeated by one or sustained by an opposite construction of the patent laws — specifically 35 U.S.C. § 112. See, e.g., *Henry v. A. B. Dick Co.*, 224 U.S. 1, 16 (1912); *Beghin-Say International Inc. v. Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984). Christianson's contention that he advanced this § 112 theory only "by way of reply to Colt's defense" that its trade secrets were valid (Pet. 14) assumes that the complaint alleged a theory of antitrust liability that did not depend on challenging Colt's trade secrets.⁶ Christianson could not, however, have stated an antitrust or tortious interference claim based on the conduct alleged in the complaint — Colt's attempts to enforce trade secrets —

⁶ Even Judge Markey, who otherwise accepted Christianson's characterization of the § 112 issue as merely a reply to Colt's trade secret defense, found that Christianson's complaint "had to and did mean that Colt was using an invalid claim to trade secrets to extend its monopoly" (PA-23) (emphasis in original).

without alleging affirmatively that those trade secrets were invalid.⁷ Furthermore, Christianson never challenged the validity of Colt's trade secrets, in the complaint or at any other time in the litigation, except by operation of his § 112 theory.⁸

In other words, only if Colt's trade secrets could be invalidated by proving that Colt's patent disclosures were inadequate would Colt's enforcement efforts be considered a possible antitrust violation. As Judge Nichols expressed it, "the whole antitrust case collapses if the disclosures were in fact all the patent law required" (PA-40).⁹ Christianson's complaint therefore hinged on an interpretation of the patent laws. The Federal Circuit was the proper appellate court to render that interpretation.

⁷ It is well established that a party's maintenance of trade secrets raises no antitrust questions, and that a party who asserts his legal rights in good faith faces no liability for tortious interference with contract. See, e.g., *Berkey Photo, Inc. v. Eastman Kodak Co.*, 603 F.2d 263, 282 (2d Cir. 1979), cert. denied, 444 U.S. 1093 (1980); *Concrete Unlimited Inc. v. Cementcraft, Inc.*, 770 F.2d 1537, 1539 (Fed. Cir. 1985), cert. denied, 107 S. Ct. 80 (1986); *Emery v. Merrimack Valley Wood Products, Inc.*, 701 F.2d 985, 992-93 (1st Cir. 1983); *Independence Tube Corp. v. Copperweld Corp.*, 691 F.2d 310, 323-24 (7th Cir. 1982), rev'd on other grounds, 467 U.S. 752 (1984); *A. & E. Plastik Pak Co. v. Monsanto Co.*, 396 F.2d 710, 714-15 (9th Cir. 1968). See also Seventh Circuit opinion in this case at PA-61-62.

⁸ In addition, the same theory of § 112 non-compliance as a rationale for invalidating Colt's trade secrets had been asserted by Christianson's co-defendants in *Colt Industries Operating Corp v. Springfield Armory, Inc. et al.* (See Federal Circuit opinion at PA-3.) In that case, which was consolidated with this one, the same district court granted a preliminary injunction in Colt's favor, which the Federal Circuit affirmed on appeal. Springfield had challenged the injunction on the same § 112 grounds later adopted by Christianson. Christianson's motion for summary judgment was an attempt to win the same argument Springfield had lost in the Federal Circuit the year before. Colt therefore considered it proper to ask the same court to consider Colt's appeal over the same issue in very nearly the same case.

⁹ The Seventh Circuit reached this same result by properly considering the "necessary" allegations of Christianson's claim, whether or not they were adequately expressed in the complaint (PA-58). In this regard, it was proper to consider Christianson's defenses to Colt's counterclaims, which more clearly expressed his patent disclosure theory than did the ambiguous paragraph 18 of the complaint (PA-5). It was also proper to consider, as the Seventh Circuit held, "the position the plaintiff adopted in . . . his motion for summary judgment" (PA-50).

2. *There Is No Conflict Between the Federal and Seventh Circuits.*

The Federal Circuit's decision to exercise jurisdiction obviated the difficulty Colt would otherwise have faced in finding a forum for its appeal. The Federal Circuit thereby also resolved any conflict between its views and those of the Seventh Circuit. By deciding the appeal, the Federal Circuit accepted, albeit reluctantly, the Seventh Circuit's view that the Federal Circuit should decide the appeal.

Colt had an absolute right to appeal, under 28 U.S.C. § 1292, from the district court's injunction. There is no gap in the jurisdictional statutes that would leave the party aggrieved by an injunction without a forum.¹⁰ Either the Federal Circuit or the Seventh Circuit had the unquestionable duty to hear this appeal.¹¹ Since the Federal Circuit heard and properly decided the appeal, there is no need for any order from this Court directing either circuit court to rehear the appeal to which Colt was indisputably entitled.

3. *This Case Is Unique.*

No conflict among the circuits exists and no other compelling reason has been presented to resolve the issue whether the regional circuits or the Federal Circuit ought to hear appeals in cases such

¹⁰ Section 1292(a) makes clear that "[e]xcept as provided in subsections (c) [providing for exclusive Federal Circuit jurisdiction in cases over which that court would have jurisdiction under § 1295] and (d) [pertaining to appeals from the Court of International Trade and the United States Claims Court] of this section, the courts of appeals shall have jurisdiction of appeals from" the interlocutory orders specified therein. (emphasis added) If the appeal from such an interlocutory order does not fall within the Federal Circuit's exclusive jurisdiction, it must fall within the jurisdiction of the appropriate regional circuit court of appeals. See Seventh Circuit opinion at PA-53.

¹¹ Thus, if both courts had persisted in refusing to hear the appeal, Colt would have been entitled to a writ of mandamus from this Court, directing the proper court of appeals to hear the appeal. See, e.g., *Harley-Davidson Motor Co. v. Buffington*, 259 U.S. 414, 417 (1922).

as this one.¹² There are no other cases like this one. Now that Christianson's theory has been decisively rejected by the Federal Circuit, other litigants are not likely to follow in Christianson's footsteps.¹³ This Court need not, therefore, provide direction regarding the proper forum for appeals in a type of case that has never existed before, and is unlikely to exist again.

Petitioner does not even contend that this case provides a suitable vehicle for reviewing the boundaries between the jurisdiction of the Federal Circuit and that of the regional circuits. Instead, petitioner presents for review only the question whether a court which states in one part of its opinion that it does not believe it has jurisdiction, may nevertheless rule on the merits of an appeal (Pet. i). That question on its face does not rise to the level of a "special and important reason" for this Court to grant review.¹⁴ Either the Federal Circuit's dicta that it did not have jurisdiction was incorrect, in which case it properly exercised jurisdiction, or the court at most correctly decided an appeal that should have been decided by the Seventh Circuit. Neither error would require correction by the Supreme Court.

Rather, a "special or important reason" to grant a certiorari petition "impl[ies] a reach to a problem beyond the academic or the episodic." *Rice v. Sioux City Memorial Park Cemetery, Inc.* 349 U.S. 70, 74 (1955). See also *Watt v. Alaska*, 451 U.S. 259, 274 (1981) (Stevens, J., dissenting) (Where "there is no reason to anticipate that a comparable issue will arise in another Circuit in the foreseeable future," the importance of the question

¹² By contrast, in *Hoffman v. Blaski*, 363 U.S. 335, 339 and n.8 (1960), relied upon by Christianson, the decisions of at least six circuits were "in great conflict and confusion."

¹³ Indeed, even before it was overturned, the district court's decision did not attract followers. A search of Shepard's and Lexis reveals that during the nearly two years the district court's decision upholding Christianson's claim was on the books, it was not cited in a single reported decision.

¹⁴ Supreme Court Rule 17.1.

presented is diminished.)¹⁵ In this case, as the Federal Circuit recognized, the "relative rarity of the present issue" argues against Supreme Court intervention (PA-27).

The decision in this case will affect only the parties. This Court noted, in *Rice v. Sioux City Memorial Park Cemetery, Inc.*, that "it is very important that [the Court] be consistent in not granting the writ of certiorari except in cases involving principles the settlement of which is of importance to the public, as distinguished from that of the parties, and in cases where there is a real and embarrassing conflict of opinion and authority between the Circuit Courts of Appeals." 349 U.S. at 79 (quoting *Layne & Bowler Corp. v. Western Well Works, Inc.*, 261 U.S. 387, 393 (1923)). The jurisdictional issue in this unusual case is of no general importance.

B. The Federal Circuit Correctly Decided the Merits.

Christianson's novel theory required three unprecedented steps. First, the district court had to find that 35 U.S.C. § 112 requires the disclosure of the detailed manufacturing specifications necessary to assure the mass production of interchangeable parts used in Colt's commercial product, the "M16" rifle, even though no claim in any patent related to parts interchangeability. Indeed, the patents at issue made no claim in respect of a complete firearm of any kind. To destroy this foundation for Christianson's claim, the Federal Circuit had only to apply the well-settled rule that patent specifications need not be production specifications (PA-31-35).¹⁶

¹⁵ The Court's main function is not to correct error, and even plain jurisdictional error may not require certiorari review. See, e.g., *Key v. Wise*, 454 U.S. 1103, 1105 (1981) (certiorari petition denied despite view of three justices that jurisdictional error was "egregious").

¹⁶ The Federal Circuit did not hold, as petitioners erroneously suggest, that production specifications "could never be required disclosure" (Pet. 11). The court held only that such specifications need not be disclosed when they are

(Footnote Continued)

Step two required denying trade secret protection to all the information that Christianson contended should have been disclosed in the patents. No court had ever before invalidated a party's trade secrets solely by reason of a finding of insufficient disclosure under § 112.¹⁷ The district court did not even stop there, however, but also ordered Colt to disgorge *all* trade secrets in existence relating to "M16" rifles, whether or not related to interchangeability or to the parts mentioned in the particular

unnecessary to practicing the claimed inventions. On that issue, see, in addition to the precedents cited in the Federal Circuit's opinion (PA-32-33), *DeGeorge v. Bernier*, 768 F.2d 1318, 1323-25 (Fed. Cir. 1985); *International Telephone & Telegraph Corp. v. Raychem Corp.*, 538 F.2d 453, 459-60 (1st Cir.), cert. denied, 429 U.S. 886 (1976).

As the Federal Circuit also recognized (PA-29), the district court's decision could not be limited to "M16" rifles or even to other products that become the military standard, as the district court's opinion seems to suggest. Specifications designed to assure parts interchangeability are a common feature of manufactured products, from sewing machines to airplane engines. Those specifications are commonly maintained as trade secrets. See, e.g., *SI Handling Systems, Inc. v. Heisley*, 753 F.2d 1244, 1256 (3d Cir. 1985) (citing *Williams v. Curtiss-Wright Corp.*, 681 F.2d 161, 164 (3d Cir. 1982) (*per curiam*)). The district court's broad new standard of patent disclosure would have required massive amounts of disclosure in patent applications for inventions used in any complex mass-manufactured product.

¹⁷ The only case, as the district court recognized (PA-89), which may be read as holding trade secrets invalid based on a § 112 violation is the 1920 Michigan Supreme Court decision in *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (1920), which had not been cited for that proposition by a single federal court in the 65 years since it was written. Even *Dow Chemical* he'd plaintiff's trade secrets unenforceable on a number of other grounds, including the plaintiff's failure adequately to safeguard the secrecy of its processes and its delay in asserting that its processes were secret. That case does not support the proposition that a § 112 violation, standing alone, would permit a court to invalidate the party's trade secrets.

Petitioner's reliance upon *Rototron Corp. v. Lake Shore Burial Vault Co.*, 712 F.2d 1214 (7th Cir. 1983) (pet. 15) to support this remedy is misplaced. That case merely recited the seemingly obvious proposition that where the patents "do disclose" the patentee's process, that process can no longer be protected after the patent expires. *Id.* at 1215.

patents. The only justification advanced for this sweeping remedy was federal preemption (PA-87-88), a theory the Supreme Court decisively rejected in *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 492 (1974). *Accord* *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 265 (1979).¹⁸ The Federal Circuit found no "basis for the district court's ruling[] that noncompliance with section 112 preempts state trade secret law" (PA-35).

In the third and final step of Christianson's theory, antitrust liability was based on the same alleged inadequacies of patent disclosure. Indeed, the district court granted final judgment upholding Christianson's antitrust claims without his even having asked for such a judgment, without any evidence that Colt had defrauded the Patent Office,¹⁹ and without any evidence relevant to such necessary antitrust inquiries as the definition of the relevant market or Colt's market power.²⁰ The Federal Circuit was amply justified in summarily overturning the district court's finding of antitrust liability (PA-35).

In short, the district court's opinion in this case was riddled with error. The Federal Circuit had no difficulty with the merits of the appeal, and opined that the Seventh Circuit would have reached the same result, had it considered the merits (PA-28). None of the questions addressed by the Federal Circuit were close or controversial.

This case presents no opportunity to clarify any unsettled issues of patent or trade secret law. It merely presents a straightforward

¹⁸ See also *Universal Gym Equipment, Inc. v. ERWA Exercise Equipment Ltd.*, 827 F.2d 1542, 1549 (Fed. Cir. 1987).

¹⁹ See *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965); *Oetiker v. Jurid Werke GmbH*, 671 F.2d 596 (D.C. Cir. 1982); *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149, 153-54 (7th Cir. 1972), *cert. denied*, 414 U.S. 819 (1973); *GAF Corp. v. Eastman Kodak Co.*, 519 F. Supp. 1203, 1234 (S.D.N.Y. 1981).

²⁰ See, e.g., *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327 (1961) (under Clayton Act § 3); *United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377 (1956).

application of a principle that has stood the United States patent system well throughout its long history: a patent need not disclose manufacturing data unnecessary to the claimed invention. No courts have found any conflict between patenting inventions and maintaining trade secret protection in such manufacturing details. No courts have discovered any principle of federal patent law that demands that the states deny trade secret protection to mass production data of the type Colt has endeavored to protect. No conflict between the circuits exists on these well-settled issues of trade secret and patent law. No conflict between the Supreme Court and the circuit courts exists on these issues. Petitioners have therefore presented no reason for re-examining the Federal Circuit's restatement of these long standing principles.

CONCLUSION

For the foregoing reasons, the petition for certiorari should be denied.

Respectfully submitted,

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Dated: October 30, 1987

RESPONDENT'S APPENDIX

BEST AVAILABLE COPY

IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES, INC.,
a Massachusetts corporation,

Plaintiffs,

vs.

COLT INDUSTRIES OPERATING CORP.,
a Delaware corporation,

Defendant.

Civil Action No. 84-4056

COMPLAINT

1. This Complaint is instituted against the above-named defendant pursuant to Section 4 of the Clayton Act (15 U.S.C. § 15) and Section 16 of the Clayton Act (15 U.S.C. § 26) for damages, injunctive and equitable relief by reason of its violations of Sections 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 & 2), as hereinafter alleged.

2. Defendant (hereafter "Colt") is a Delaware corporation with its principal place of business located in the State of New York.

3. Plaintiff, Charles R. Christianson (hereafter "Christianson"), is a Massachusetts resident and citizen, and International Trade Services, Inc. (hereafter "ITS") is a Massachusetts corporation with its principal place of business in Massachusetts.

4. Colt is licensed to do business in the State of Illinois and has a registered office in Illinois.

5. The claims of plaintiff in this lawsuit, in part, arise out of transactions occurring in Illinois and in this federal judicial district and division.

6. Colt has previously sued plaintiffs in this judicial district and division, and has argued successfully in response to a Motion to Dismiss by plaintiffs that the matters out of which the claims hereafter asserted arise, occurred, in part, in this federal judicial district and in the State of Illinois.

7. Said suit by Colt against plaintiffs, known as Civil Action No. 83-4072, was voluntarily dismissed by Colt on May 11, 1984, but Colt continues to litigate in this judicial district and division against the co-defendants in said lawsuit; Colt claims in said lawsuit that the matters asserted against Christianson and ITS that were dismissed arose out of the same transactions and were related to the Colt claims against the co-defendants in said lawsuit.

8. Venue in this district and division arises pursuant to 15 U.S.C. §15 and 28 U.S.C. §1391(b) & (c).

9. Defendant ITS has been in the business of selling automatic and semi-automatic rifles, among other items.

10. Charles Christianson is the President of ITS and has been the chief operating officer of said company.

11. Additionally, Christianson's main occupation for the last 16 years has involved matters relating to automatic and semi-automatic rifles.

12. Colt controls nearly 100% of the domestic and foreign manufacture, marketing and sale of 5.56mm. automatic assault and semi-automatic rifles which fall within the designation of M-16, and Colt controls the domestic and foreign market for the manufacture, marketing and sale of M-16 parts and accessories.

13. M-16's and M-16 parts and accessories are manufactured, marketed and sold in the United States and throughout the world by Colt, Colt licensees, the co-defendants in the

aforesaid lawsuit, 83-4072, others who do not have Colt licenses, and until recently, by ITS.

14. During the late 1950's and early 1960's, Colt acquired certain rights to inventions and patents to a 5.56mm. automatic rifle, which rifle was sold to the United States government. The United States government designated the class of such rifle as "M-16."

15. Colt has licensed the United States government and certain others with respect to said patents, but said licenses have extended beyond the expiration time of the patents, most of which have now expired.

16. The term "M-16" has never been a Colt trademark or trade name.

17. As of 1980, the basic patents with respect to the Colt rifle within the M-16 designation and many of the Colt improvement patents on such rifle within the M-16 designation had expired.

18. The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. §112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

19. ITS and anyone else has the right to manufacture, contract for the manufacture, supply, market and sell the M-16 and M-16 parts and accessories thereof at the present time.

20. In 1976, prior to the expiration of said patents, ITS expended funds to have manufactured certain tooling to be used for the manufacture of M-16 parts and accessories, which tooling was made by Casting Engineers, Inc. of Illinois and Martin-Marietta Company.

21. Colt gave ITS permission to use the tooling for which it had expended funds in 1976 to the end that the suppliers, including Casting Engineers, could make M-16 parts for ITS to sell to customers, including the co-defendants in the afore-said civil action 83-4072.

22. Contrary to the permission extended to ITS to sell Colt parts and accessories and in violation of the anti-trust laws of the United States previously cited (the Sherman Act), Colt has embarked upon a course of conduct to illegally extend its monopoly position with respect to the described patents and to prevent ITS from engaging in any business with respect to parts and accessories of the M-16, which conduct includes, without limitation, the following:

(a) Forwarded correspondence to customers and potential customers of ITS, urging them not to do business with Christianson or ITS, claiming that to do so would involve them in illegalities;

(b) Forwarded copies of inapplicable court orders to customers and potential customers of Christianson and ITS with accompanying correspondence suggesting that these court orders prohibited those customers from doing business with Christianson and ITS or that the customers would become involved in illegal conduct by doing business with ITS or Christianson;

(c) Sent additional correspondence to customers and potential customers of ITS asserting illegally its claimed rights over M-16 drawings, specifications and parts and accessories to the M-16, and falsely stating that "Colt's right" to proprietary data had been "consistently upheld in various courts";

(d) Filed a lawsuit against Christianson and ITS in this court seeking permanent and preliminary injunctive relief and damages in order to contravene the permission previously given and to illegally

extend its monopoly position, all of which has harassed and cost Christianson and ITS substantial sums in defending said matter;

(e) Pursued said lawsuit in this district in bad faith by subjecting plaintiffs to substantial expense in extended discovery procedures prior to a hearing on a preliminary injunction motion, and after the motion was denied, voluntarily dismissed said lawsuit;

(f) Used the existence of said lawsuit as a basis in the aforescribed correspondence to urge customers and potential customers of ITS and Christianson to refrain from doing business with them, and after their objective of deterring customers from doing such business had been accomplished, thereafter voluntarily dismissed said lawsuit;

(g) Otherwise engaged in conduct designed to injure ITS and its business and to prevent Christianson from making a living in his chosen profession.

23. Notwithstanding the unlawful nature of all of the foregoing efforts and demands by Colt, virtually all suppliers of ITS and customers of ITS have agreed with Colt to refrain from supplying and purchasing M-16 parts and accessories to or from ITS, which has had the effect of requiring ITS to close its doors and no longer transact business.

24. Additionally, the aforementioned acts and conduct of Colt have severely lessened competition in the domestic and foreign marketplaces and assured Colt of the maintenance of its unlawful monopoly of the manufacture, marketing and sale of M-16's and M-16 parts and accessories.

25. Accordingly, Charles R. Christianson and ITS have been seriously impaired, injured and damaged and the interstate and foreign trade and commerce has been severely restrained and monopolized by Colt.

26. By reason of and as a proximate result of the aforescribed unlawful conduct by Colt, ITS has suffered damages which include loss of past, present and future sales and profits and loss of past, present and future good will; Christianson has been deprived of earning salaries and other income from ITS and has otherwise been deprived of making a living with respect to his chosen profession as a result of the illegal conduct of Colt.

27. ITS and Christianson have been damaged in an amount not presently ascertainable, but in excess of \$9,000,000.00.

WHEREFORE, plaintiffs pray for the following:

- (1) That they be awarded trouble damages in the approximate amount of \$27,000,000.00;
- (2) That they be awarded reasonable attorney's fees for the prosecution of this action;
- (3) That a permanent injunction issue restraining Colt from attempting to illegally extend its monopoly position as previously described in the future; and
- (4) That the court award such other and further relief as may be deemed just and proper.

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES, INC., Defendants

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(3)

No. 87-499

IN THE
Supreme Court of the United States

October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

VS.

COLT INDUSTRIES OPERATING, CORP.
Respondent.

**ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

PETITIONER'S BRIEF IN REPLY

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PETITIONER'S BRIEF IN REPLY

- I. The Recently Filed Petition for Certiorari in *General Motors*, as Well as Other Appellate Cases Dealing with Federal Circuit Jurisdiction, Illustrate that the Jurisdictional Issues of this Case have Broad Impact.**

Colt's contention that the Federal Circuit's decision affects only the present parties is simply wrong. This is demonstrated by the very recently filed (October 27, 1987) petition for certiorari in *Technograph Liquidating Trust, Petitioner v. General Motors Corporation, Respondent*, U.S. Supreme Court No. 87-682, where the petitioner expressly requests the granting of

Christianson's petition for certiorari and points out that the disposition of *Christianson* would likely affect that case.¹ *General Motors* involves a transfer from the Federal to the Third Circuit, with the Third Circuit addressing the merits despite a clear lack of statutory jurisdiction.

The transfer in *General Motors* was purportedly made "pursuant to 28 U.S.C. §1631." Section 1631 permits transfers only if the transferring Court first "finds that there is a want of jurisdiction." No such finding was or could have been made since the case was clearly a patent infringement suit, and the Federal Circuit thus had "exclusive" appellate jurisdiction under 28 U.S.C. §1295(a)(1). Instead, the Federal Circuit, in language reminiscent of that employed in the subject case, invoked a claimed discretion in making the transfer:

The interest of comity and judicial economy are best served by a transfer to that court. (Pet., No. 87-682, App. B, p. 3a).

A. Jurisdiction is a Matter of Statute, Not Judicial Discretion.

In contrast to the opinions of the Federal and Third Circuits, this Court has stated that once an "appellate court finds" "it is

¹ The questions presented in that petition are verbatim as follows:

(1) Whether the United States Court of Appeals for the Federal Circuit erred when, for reasons of comity and judicial economy, it refused jurisdiction over an appeal, under 28 U.S.C. §1295(a)(1), from the final decision of a district court in which the district court's jurisdiction was based on a claim expressly arising under the patent laws.

(2) Whether the United States Court of Appeals for the Third Circuit erred when it accepted and decided the merits of an appeal from the final decision of a district court in which the district court's jurisdiction expressly was based on the patent laws, when that appeal had been transferred to the Third Circuit from the United States Court of Appeals for the Federal Circuit and the Federal Circuit had made no finding of a want of jurisdiction as required by 28 U.S.C. §1631. (Pet., No. 87-682, p. (i).)

without jurisdiction" it "lacks discretion to consider the merits of a case." *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368, 379 (1981). "For the jurisdiction of the federal courts is limited not only by the provisions of Article III of the Constitution, but by Acts of Congress." And "neither the convenience of litigants nor considerations of judicial economy can suffice" to supplant the will of Congress in matters of jurisdiction.² *Owen Equipment & Erection Co. v. Kroger*, 437 U.S. 365, 372, 377 (1978).

Further similar intercircuit conflict regarding Federal Circuit jurisdiction is also reflected in D.C. and Seventh Circuit decisions. In *Professional Manager's Ass'n v. United States*, 721 F.2d 740, 745 (1985), the D.C. Circuit expressly criticized the Seventh Circuit's view in *Squillacote v. United States*, 747 F.2d 432 (7th Cir. 1984), *cert. denied*, 471 U.S. 1016, that "judicial efficiency and fairness" may allow a Court of Appeals to decide a case even though it lacks statutory jurisdiction. The D.C. Circuit, rejecting the notion that courts of appeal may exercise discretion in hearing cases, refused to forego a transfer of a case to the Federal Circuit requested on the grounds of efficiency. Instead it stated that jurisdictional "statutes are the source of our authority to resolve disputes, and they cannot be ignored for reasons of either fairness or efficiency." *Professional Managers*, 761 F.2d at 745.

B. This Court should Resolve the Conflicts Arising from the Act of Congress Delineating the Federal Circuit's Jurisdiction.

The Court of Appeals for the Federal Circuit was created five years ago by the Federal Courts Improvement Act of 1982, 1 et seq., 965 Stat. 25 (28 U.S.C. §1295). Yet, in that time span clear conflicts with Supreme Court precedents, and among the circuits, as to fundamental jurisdictional principles have been

² Colt concedes that if the Federal Circuit lacked statutory jurisdiction, as it expressly held, its consideration of the merits was "error." (Colt. Br. p. 9)

recurrent. As the Seventh Circuit noted there is a "burgeoning list of cases delineating, at considerable expense to the parties and the judicial system . . . the boundaries of 28 U.S.C. §1295(a)(1)." *Christianson* (PA-55, 7th Cir., 798 F.2d at 1058). It is time for this Court to resolve the jurisdictional uncertainties present in cases like *Christianson* and the conflict between the Circuits as to whether the demarcation between regional and Federal Circuit jurisdiction is to be administered pursuant to statutory authority or whether non-statutory discretionary exceptions are to be approved.

Turning to the subject case itself, this is not a trivial conflict, as respondent suggests.³ The Seventh and Federal Circuits are irreconcilably divided, with each categorically and expressly stating that the other is "clearly wrong." This resulted in two federal courts of appeals subjecting the litigants to "back and forth battering" (*Christianson*, PA-28, Fed. Cir., 822 F.2d at 1560) because of their refusals to accept jurisdiction over a class of cases. This is precisely the kind of "real and embarrassing conflict of opinion and authority between the circuit courts of appeal" which is especially worthy of this Court's review.⁴ *Layne & Bowler Corp. v. Western Well Works*, 261 U.S. 387, 393 (1923). Indeed, if not for the Federal Circuit's improper action

³ Colt's suggestion (Colt Br. p. 6) that the holding of the Federal Circuit on the jurisdictional issue was "dicta" or that the Federal Circuit "accepted . . . the Seventh Circuit's view" is incorrect. The Federal Circuit clearly summarized its jurisdictional holding:

We have again concluded that this court has not been granted jurisdiction over an appeal from this type of summary judgment in an antitrust case.

Christianson, PA-27, 822 F.2d at 1559.

⁴ Review is also appropriate under Supreme Court Rule 17.1(a) & (c) because the Federal Circuit's decision on the merits in the face of an express holding of a lack of jurisdiction is "in conflict with applicable decisions of this Court," (e.g., *Firestone*, *supra*), and is "such a departure" "from the accepted and usual course of judicial proceedings, . . . as to call for an exercise of this Court's power of supervision."

in deciding the merits, the conflict would have resulted in no review at all. The potential for such a "standoff" between the circuits is plainly contrary to Congressional intent, and should not be allowed to continue.

II. The Federal Circuit's Erroneous Decision on the Merits has Broad Effect.

Colt argues that the writ should be denied because the decision on the merits was correct so it doesn't matter that the jurisdictional issue was improperly resolved. To the contrary, the radical departure of the Federal Circuit from this Court's precedent in dealing with the merits, as outlined in *Christianson's* petition, makes the Federal Circuit's addressing of the merits without jurisdiction even more intolerable.

As a prime example of the broad ramifications of the Federal Circuit's decision on the merits, patentees, pursuant to the reasoning of *Christianson*, can hereafter readily conceal the best mode of carrying out their inventions. All they need do is simply not expressly reference or mention in their patent claims critical information which they know others will not be able to duplicate. This can be done even though the scope of the claims covers their products using such critical information. Moreover, this can be done even though it effectively allows the patentee to extend the monopoly of the patent beyond its statutory term.

This view is in direct conflict with the principles underlying the patent system, the plain language of 35 U.S.C. §112, and this Court's prior decisions, such as *Smith v. Snow*, 294 U.S. 1 (1935). In *Snow*, this Court pointed out that details could be left out of the patent claims in order to obtain a patent having a broad scope. Furthermore, it is clear from *Snow* that the disclosure may need to be much more detailed than the claims. 294 U.S. at 11-16. Consequently, for the reasons stated in the petition and herein, this Court should also grant the writ on the merits issue.

III. Conclusion

A Writ of Certiorari should issue to review the judgment and opinion of the Federal Circuit.

Respectfully submitted,

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Inc.

November 10, 1987

No. 87-499

Supreme Court, U.S.

FILED

FEB 4 1988

**JOSEPH F. SPANIOL, JR.,
CLERK**

IN THE

Supreme Court of the United States

October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

vs.

COLT INDUSTRIES OPERATING CORP.
RESPONDENT.

ON WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

JOINT APPENDIX

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Colt Industries' answer to Count I, and counterclaims, with Exhibits in Christianson Case, filed June 6, 1984. .	JA-13
Christianson's and ITS's reply to counterclaims in Christianson Case, filed June 25, 1984.	JA-35
Order for consolidation of Christianson Case and Springfield Case for discovery purposes and trial under Rule 42(a), dated June 27, 1984. (Morgan J.).	JA-50
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Affidavit of Charles R. Christianson, (Exh. 8). . . . JA-59

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Colt letter to Bruce Lambert, Lone Star Ordnance,
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Colt mass-mailed letter of Jan. 26, 1983 (Exh. 3) . . JA-73

Cover and table of contents of Plaintiffs' Memorandum in
Support of its Motion for Summary Judgment on the
Unenforceability of the Alleged M16 Trade Secrets, filed
October 19, 1984. JA-76

Colt's Cross Motion for Summary Judgment filed Novem-
ber 13, 1984. JA-81

Cover and Table of contents for Christianson's Memoran-
dum in Reply to Defendant's Opposition to Plaintiffs
Motion for Summary Judgment and In Opposition to
Defendant's Cross Motion for Summary Judgment, filed
Dec. 4, 1984. JA-85

Defendant's Motion for A Stay Pending Appeal, filed
July 5, 1985. JA-92

Affidavit of Ronald E. Stilwell, filed July 5, 1985. JA-96

Order for a Stay Pending Appeal, entered July 19, 1985 JA-100

Colt's Motion to Expedite the Hearing (Federal Circuit)
dated September 6, 1985. JA-102

Colt's Motion to Expedite the Hearing (Seventh Circuit)
dated February 19, 1986. JA-105

Affidavit of Attorney M. Radice dated February 19,
1986. JA-106

Order of the United States Court of Appeals for the Sev-
enth Circuit dated February 24, 1986. JA-110

Order of the United States Court of Appeals for the
Federal Circuit dated September 12, 1986. JA-112

Christianson et al. Motion to Dismiss filed in the Federal
Circuit about Oct. 2, 1986. JA-113

The following have been omitted in printing this joint
appendix, but appear on the following pages in the appen-
dix to the printed Petition for Certiorari:

Federal Circuit Decision, June, 25, 1987 PA-1

Seventh Circuit Decision to transfer to
Federal Circuit, dated August 19, 1986. PA-41

Federal Circuit Order to transfer to Seventh
Circuit, dated December 4, 1985. PA-63

Federal Circuit Judgment and Mandate to transfer to
Seventh Circuit, issued January 24,
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District Court Judgment, July 19, 1985.	PA-67
District Court Decision, May 24, 1985.	PA-73
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28 U.S.C. §1291.	PA-103
28 U.S.C. §1338.	PA-103
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35 U.S.C. §154.	PA-108

Note: This opinion will not be published in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent. The decision will appear in tables published periodically.

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

COLT INDUSTRIES OPERATING)	
CORP,)	
FIREARMS DIVISION,)	
<i>Appellee,</i>)	
	)	Appeal No. 84-559
v.)	
)	
SPRINGFIELD ARMORY, INC., and)	
ROCK ISLAND ARMORY, INC.,)	
<i>Appellants.</i>)	

DECIDED: March 20, 1984

Before DAVIS, BALDWIN and MILLER, *Circuit Judges*.
MILLER, *Circuit Judge*.

DECISION

The district court's order for a preliminary injunction against defendants/appellants (hereinafter "Springfield") is *affirmed*.

OPINION

We are persuaded that the district court did not abuse its discretion in granting Colt's motion for a preliminary injunction and that the court did not err in concluding, from the

record before it, that there is a reasonable likelihood of Colt's succeeding substantially on the merits while, at the same time, balancing the comparative injuries to the parties. Wright and Miller, **FEDERAL PRACTICE AND PROCEDURE (CIVIL)** §2948 (1983). We note that the district court's order requires Colt to furnish security in the amount of \$500,000 for payment of such costs and damages as may be incurred or suffered by Springfield in the event it is finally found that the injunction was wrongful.

Although Springfield's 35 U.S.C. §112 arguments, particularly relating to best mode, have an appearance of validity, (*see, White Consolidated Industries, Inc., v. Vega Servo-Control, Inc.*, 713 F. 2d 799, 218 USPQ 961 (Fed. Cir. 1983)), the evidence of record is almost totally lacking in specifics. Springfield points to "admissions" of Colt's witnesses that M-16 specifications were necessary for making the M-16 rifle. However, as we understand it, the numerous Colt patents covered *parts* of the M-16, so that, at most, a best mode of each would be for *use* in the M-16 rifle,—not for the M-16 itself. This would require an analysis, patent by patent, of the specifications (trade secrets) alleged to be essential in practicing each invention and/or meeting the best mode requirement; also a showing of why each individual invention could not be practiced and/or the best mode requirement satisfied in the absence of such specifications; further, whether such specifications were in existence at the time the Colt patent applications were filed. Springfield will have an opportunity, through discovery and otherwise, to present such evidence at trial, along with evidence covering other points raised by this court during oral argument.

We are also satisfied that the district court's preliminary injunction meets the requirements of Fed. R. Civ. P. 65(b).

SELECTED ENTRIES FROM DISTRICT COURT DOCKET SHEETS

84-4056

PLAINTIFFS	DEFENDANTS
CHRISTIANSON, Charles R. and INTERNATIONAL TRADE SERVICES, Inc., a Massachusetts corporation	COLT INDUSTRIES OPERATION CORP., a Delaware Corporation

CAUSE

**(CITE THE U.S. CIVIL STATUTE UNDER WHICH
THE CASE IS FILED AND WRITE
A BRIEF STATEMENT OF CAUSE)**

Antitrust case (Deft. took action to put pltf. out of business by asserting illegal monopoly control over M-16 rifle parts in violation of 15 U.S.C., Sec. 1 & 2)

.....

Charles R. Christianson et al vs. Colt Industries Operating Corp, 84-4056

1984

May 14	1 Complaint filed
- * -	
June 6	5 Answer and Counterclaims fld. by Deft. w/ cert. of serv.
- * -	
June 25	7 Reply to Counterclaims fld. by Pltfs w/cert. of serv.
June 26	8 MO for Consolidation with Supporting Authority and Pr. of Serv. fld. by Pltf. (consolidate this case and 83.4072)
June 27	9 Order for Consolidation fld. and entered Ordered that Civil Action No. 84-4056 and Civil Action 83-4072 are consolidated for discovery purposes and trial in accord w/ Rule 42(a) of FRCP. (See Order) (Morgan,J.)

ALL FUTURE PLEADINGS TO BE FILED

IN CASE No. 83-4072

Sept. 5 Consent Judgment filed and entered in Case No. 83-4072. That case is now dismissed. This case, No. 84-4056 is still pending. Final Pre-Tr. Conf. set for Thur. Oct. 11 and Jury Trial set for Wed. Nov. 7, 1984 are still set for those dates.

- * -

Oct. 16 32 MO for an Order restoring this case to the Trial Calendar and Deferring Pltfs MO for Summary Judg. fld. by Deft. w/ exhibits and pr. of serv.

- * -

Oct. 18 39 Pltfs' 1st MO for Leave to Amend Complaint fld.

Oct. 18 40 MO for Summary Judgment fld. by Pltf.

- * -

Oct. 19 44 Case set for Hearing on Pending MOS. on Wed. Oct. 31, 1984 at 10:00 A.M. in R.I. before J. Morgan. Notices and Cal. by clerk. (Morgan,J.)

Oct. 19 45 Order filed and entered - ordered that the mo for leave to amend Complaint is allowed. (See Order)(Copy of Order sent to attys. of record by clerk.) (Morgan,J)

Oct. 19 46 Ct. II of Complaint filed.

- * -

Oct. 24 50 Case re-set for Hearing on Pending Mos. on Wed. Nov. 14, 1984 at 10:00 A.M. in R.I., before J. Morgan. Hearing set for Oct. 31, 1984 Cancelled. Notices and Cal. by clerk. (Morgan, J.)

- * -

Nov. 13 53 Cross-MO for Summ. Judg. fld. by deft. Colt.

- * -

Nov. 14 Parties pres. by/c for hearing on cross motions for summ. judg. Deft. allowed 20 days to answer amended complaint. Atty. Spiro Bereveskos admitted to practice in this court for this case on oral mo. of J. McNett. Argu-

ments of counsel on cr. mo. for summ. judg. Parties granted until Dec. 1, 1984 to submit simultaneous briefs. Matter taken under advisement. (Morgan, J.)

- * -

Dec. 5 60 Answer and Counterclaims to Count II of the Amended Complaint fld. by Deft. w Cert. of Serv.

Dec. 19 61 Deft's Surreply Memo of Law in Support of its Cross MO for Summ. Judg. fld. by Colt w/ cert. of serv.

Dec. 31 62 Pltfs' Memorandum in Response to Deft's Surreply Memorandum Relating to Mos. for Summ. Judg. fld. by Pltf. w/ cert. of serv.

- * -

1985

- * -

May 24 63 Memorandum Decision and Order filed - ordered that Pltfs mo for summ. judg. is allowed as to liability on Cts. 1 & 2 of the Complaint, and Deft's mo. for summ. judg. is denied. Further ordered that Pltfs shall submit w/in 30 days proposed final judgment order on liability & deft. may file any comments as to form w/in 10 days after service. (See Memo. Dec. & Order)
(Copies sent to attys. of record by the Court)
(Morgan, J.)

- * -

July 5 66 Deft's MO for a Stay Pending Appeal fld. by Deft. w/ cert. serv.

July 5 67 Aff. of Ronald E. Stilwell, fld. w/ cert. serv.

July 5 69 Case set for Hrg. on Form of Judgment on Friday, July 10, 1985 at 10:00 A.M. in Peoria. Clerk sent notices (Morgan, S.)

July 19 Parties pres. in o/c for hearing on form of Final Judgment on Liability.

70 Proposed Revised Final Judgment on Liability fld. by Pltfs.

- 71 Hearing begun and concluded. Final Judgment on Liability filed and entered.
- 72 (See Same) Order for a Stay Pending Appeal filed and entered. (See Same) (Cc of both sent to attys. of record by the Court. Defts. Exhibits 1 & 2 for security on appeal marked and placed in file at the direction of the Court)
- 73 Judgment in a Civil Case filed and entered. (See Same) (copies to attys. by c)
- July 31 74 NOTICE OF APPEAL fld. by Deft. Colt Ind. w/ cert. of serv.
- * -
- 1986
- * -
- Feb. 3 76 Mandate from U.S. Ct. Appeals for Fed. Cir., fld. Appeal transferred to U.S.C.A. 7Circuit (See Same)
- * -
- Aug. 27 80 Mandate fld. by U.S.C.A. 7th Circuit. Ordered that cause is transferred to the Federal Circuit pur. to 28 U.S.C. Sec. 1631. Each party to bear its own costs in this court. (See Same)
- * -
- 1987
- * -
- July 30 81 Mandate fld. by U.S. Ct. Appeals for the Fed. Circuit. Ordered and adjudged: Reversed in Part, Vacated in Part, and Remanded (See same)
- * -

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

	FILED
	May 14 1984
CHARLES R. CHRISTIANSON and	) Robert J. Kauffman,
INTERNATIONAL TRADE	) Clerk
SERVICES, INC., a Massachusetts	) U.S. District Court
corporation,	) Central District of
	) Illinois
<i>Plaintiffs,</i>)
	) Civil Action
v.	) No. 84-4056
)
COLT INDUSTRIES OPERATING)
CORP., a Delaware corporation,)
)
<i>Defendant.</i>)

COMPLAINT

1. This Complaint is instituted against the above-named defendant pursuant to Section 4 of the Clayton Act (15 U.S.C. §15) and Section 16 of the Clayton Act (15 U.S.C. §26) for damages, injunctive and equitable relief by reason of its violations of Sections 1 and 2 of the Sherman Act (15 U.S.C. §§1 & 2), as hereinafter alleged.

2. Defendant (hereafter "Colt") is a Delaware corporation with its principal place of business located in the State of New York.

3. Plaintiff, Charles R. Christianson (hereafter "Christianson"), is a Massachusetts resident and citizen, and International Trade Services, Inc., (hereafter "ITS") is a Massachusetts corporation with its principal place of business in Massachusetts.

4. Colt is licensed to do business in the State of Illinois and has a registered office in Illinois.

5. The claims of plaintiff in this lawsuit, in part, arise out of transactions occurring in Illinois and in this federal judicial district and division.

6. Colt has previously sued plaintiffs in this judicial district and division, and has argued successfully in response to a Motion to Dismiss by plaintiffs that the matters out of which the claims hereafter asserted arise, occurred, in part, in this federal judicial district and in the State of Illinois.

7. Said suit by Colt against plaintiffs, known as Civil Action No. 83-4072, was voluntarily dismissed by Colt on May 11, 1984, but Colt continues to litigate in this judicial district and division against the co-defendants in said lawsuit; Colt claims in said lawsuit that the matters asserted against Christianson and ITS that were dismissed arose out of the same transactions and were related to the Colt claims against the co-defendants in said lawsuit.

8. Venue in this district and division arises pursuant to 15 U.S.C. §15 and 28 U.S.C. §1391(b) & (c).

9. Defendant ITS has been in the business of selling automatic and semi-automatic rifles, among other items.

10. Charles Christianson is the President of ITS and has been the chief operating officer of said company.

11. Additionally, Christianson's main occupation for the last 16 years has involved matters relating to automatic and semi-automatic rifles.

12. Colt controls nearly 100% of the domestic and foreign manufacture, marketing and sale of 5.56mm. automatic assault and semi-automatic rifles which fall within the designation of M-16, and Colt controls the domestic and foreign market for the manufacture, marketing and sale of M-16 parts and accessories.

13. M-16's and M-16 parts and accessories are manufactured, marketed and sold in the United States and throughout the world by Colt, Colt licensees, the co-defendants in the

aforesaid lawsuit, 83-4072, others who do not have Colt licenses, and until recently, by ITS.

14. During the late 1950's and early 1960's, Colt acquired certain rights to inventions and patents to a 5.56mm. automatic rifle, which rifle was sold to the United States government. The United States government designated the class of such rifle as "M-16."

15. Colt has licensed the United States government and certain others with respect to said patents, but said licenses have extended beyond the expiration time of the patents, most of which have now expired.

16. The term "M-16" has never been a Colt trademark or trade name.

17. As of 1980, the basic patents with respect to the Colt rifle within the M-16 designation and many of the Colt improvement patents on such rifle within the M-16 designation had expired.

18. The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. §112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

19. ITS and anyone else has the right to manufacture, contract for the manufacture, supply, market and sell the M-16 and M-16 parts and accessories thereof at the present time.

20. In 1976, prior to the expiration of said patents, ITS expended funds to have manufactured certain tooling to be used for the manufacture of M-16 parts and accessories, which tooling was made by Casting Engineers, Inc. of Illinois and Martin-Marietta Company.

21. Colt gave ITS permission to use the tooling for which it

had expended funds in 1976 to the end that the suppliers, including Casting Engineers, could make M-16 parts for ITS to sell to customers, including the co-defendants in the aforesaid civil action 83-4072.

22. Contrary to the permission extended to ITS to sell Colt parts and accessories and in violation of the anti-trust laws of the United States previously cited (the Sherman Act), Colt has embarked upon a course of conduct to illegally extend its monopoly position with respect to the described patents and to prevent ITS from engaging in any business with respect to parts and accessories of the M-16, which conduct includes, without limitation, the following:

(a) Forwarded correspondence to customers and potential customers of ITS, urging them not to do business with Christianson or ITS, claiming that to do so would involve them in illegalities;

(b) Forwarded copies of inapplicable court orders to customers and potential customers of Christianson and ITS with accompanying correspondence suggesting that these court orders prohibited those customers from doing business with Christianson and ITS or that the customers would become involved in illegal conduct by doing business with ITS or Christianson;

(c) Sent additional correspondence to customers and potential customers of ITS asserting illegally its claimed rights over M-16 drawings, specifications and parts and accessories to the M-16, and falsely stating that "Colt's right" to proprietary data had been "consistently upheld in various courts";

(d) Filed a lawsuit against Christianson and ITS in this court seeking permanent and preliminary injunctive relief and damages in order to contravene the permission previously given and to illegally extend its monopoly position, all of which has harassed and cost Christianson and ITS substantial sums in defending said matter;

(e) Pursued said lawsuit in this district in bad faith by subjecting plaintiffs to substantial expense in extended

discovery procedures prior to a hearing on a preliminary injunction motion, and after the motion was denied, voluntarily dismissed said lawsuit;

(f) Used the existence of said lawsuit as a basis in the aforescribed correspondence to urge customers and potential customers of ITS and Christianson to refrain from doing business with them, and after their objective of deterring customers from doing such business had been accomplished, thereafter voluntarily dismissed said lawsuit;

(g) Otherwise engaged in conduct designed to injure ITS and its business and to prevent Christianson from making a living in his chosen profession.

23. Notwithstanding the unlawful nature of all of the foregoing efforts and demands by Colt, virtually all suppliers of ITS and customers of ITS have agreed with Colt to refrain from supplying and purchasing M-16 parts and accessories to or from ITS, which has had the effect of requiring ITS to close its doors and no longer transact business.

24. Additionally, the aforementioned acts and conduct of Colt have severely lessened competition in the domestic and foreign marketplaces and assured Colt of the maintenance of its unlawful monopoly of the manufacture, marketing and sale of M-16's and M-16 parts and accessories.

25. Accordingly, Charles R. Christianson and ITS have been seriously impaired, injured and damaged and the interstate and foreign trade and commerce has been severely restrained and monopolized by Colt.

26. By reason of and as a proximate result of the aforescribed unlawful conduct by Colt, ITS has suffered damages which include loss of past, present and future sales and profits and loss of past, present and future good will; Christianson has been deprived of earning salaries and other income from ITS and has otherwise been deprived of making a living with respect to his chosen profession as a result of the illegal conduct of Colt.

27. ITS and Christianson have been damaged in an amount not presently ascertainable, but in excess of \$9,000,000.00.

WHEREFORE, plaintiffs pray for the following:

- (1) That they be awarded trouble damages in the approximate amount of \$27,000,000.00;
- (2) That they be awarded reasonable attorney's fees for the prosecution of this action;
- (3) That a permanent injunction issue restraining Colt from attempting to illegally extend its monopoly position as previously described in the future; and
- (4) That the court award such other and further relief as may be deemed just and proper.

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES,
INC., Defendants.

By: /s/ Stuart R. Lefstein

For:
KATZ, McANDREWS, DURKEE,
BALCH & LEFSTEIN, P.C.
Attorneys for Defendants
200 Plaza Office Building
P. O. Box 66
Rock Island, IL 61204-0066
Telephone 309/788-5661

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)	
INTERNATIONAL TRADE)	
SERVICES INC., a Massachusetts)	
corporation,)	
)	
<i>Plaintiffs,</i>)	
	)	Civil Action
v.	)	No. 84-4056
)	
COLT INDUSTRIES OPERATING)	
CORP, A Delaware)	
corporation,)	
)	
<i>Defendant.</i>)	

ANSWER AND COUNTERCLAIMS

Defendant Colt Industries Operating Corp, ("Colt"), by its attorneys Bozeman, Neighbour, Patton & Noe, Parker Auspitz Neesemann & Delehanty, P.C., and Willian Brinks Olds Hofen Gilson & Lione Ltd., for its answer to the correspondingly numbers paragraphs of the complaint of plaintiffs Charles R. Christianson ("Christianson") and International Trade Services, Inc. ("ITS"), avers:

1. Admits that plaintiffs purport to bring their complaint under the statutes cited in paragraph 1, and otherwise denies the allegations therein.
2. Admits the allegations of paragraph 2.
3. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 3.
4. Admits the allegations of paragraph 4, except denies that Colt maintains an office in Illinois.
5. Denies knowledge or information sufficient to form a

belief as to the truth of the allegations of paragraph 5.

6. Denies the allegations of paragraph 6, except admits that Colt sued Christianson and ITS in this District and Division, that Christianson and ITS moved to dismiss the complaint for lack of jurisdiction, and that their motion was denied; and refers to Colt's papers in opposition to the motion to dismiss for Colt's arguments.

7. Denies the allegations of paragraph 7, except admits that Colt voluntarily dismissed its lawsuit against Christianson and ITS on May 11, 1984, and that Colt continues to litigate against the remaining defendants in that lawsuit; and refers to the amended complaint in that lawsuit for Colt's claims.

8. Denies the allegations of paragraph 8, except admits that plaintiffs purport to base venue on the statutes cited therein.

9. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 9.

10. Admits, on information and belief, the allegations of paragraph 10.

11. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 11, except admits that during the period June 1970 through June 1975, when Christianson was an employee of Colt, Christianson's duties were mainly related to the "M16" rifle.

12. Denies the allegations of paragraph 12, except avers that Colt has the exclusive rights to use of the designation "M16" and its derivatives, such as "M16A1" and "M16A2," in connection with the sale of rifles and their components; and avers that Colt owns or enjoys rights under the inventions, patents, technical data, and other proprietary information necessary to produce and sell 5.56 mm automatic rifles that are designated and have become known as "M16," "M16A1," and "M16A2" rifles.

13. Denies the allegations of paragraph 13, except admits

that "M16" rifles and parts have been manufactured, marketed, and sold by Colt and its licensees in the United States, to the United States government, and to those military procurement agencies of foreign governments deemed friendly by the State Department.

14. Denies the allegations of paragraph 14, except admits that during the late 1950s and early 1960s Colt acquired certain rights to inventions, patents, and other proprietary information, and further developed and designed, a 5.56 mm. automatic rifle that became known as the "AR-15," the "M16," the "M16A1," and the "M16A2" automatic rifles; that the rifle has been sold to the armed forces of the United States; and that when Colt's rifle was adopted by the United States Army as its standard rifle it was given the designation "M16."

15. Denies the allegations of paragraph 15, except refers to Colt's license agreements with respect to the patents and technical data used in "M16" rifles for their terms.

16. Denies the allegations of paragraph 16.

17. Denies the allegations of paragraph 17, except admits that Colt owns patents relating to its "M16" rifle, some of which have expired and some of which have not expired.

18. Denies the allegations of paragraph 18, except admits that Colt's patents are valid until the end of each of their respective lifetimes, and admits that anyone with ordinary skill in the art is entitled to and is able to use any and all of Colt's expired patents for any legitimate purpose.

19. Denies the allegations of paragraph 19.

20. Denies knowledge or information sufficient to form a belief as to the truth of the allegations of paragraph 20.

21. Denies the allegations of paragraph 21.

22. Denies the allegations of paragraph 22, except admits that Colt has sent correspondence to various entities informing them of Colt's rights and their obligations, and refers to that correspondence for the contents thereof; and further admits

that Colt filed a lawsuit against Christianson and ITS in this District and then voluntarily dismissed that lawsuit before those defendants had served an answer.

- 23. Denies the allegations of paragraph 23.
- 24. Denies the allegations of paragraph 24.
- 25. Denies the allegations of paragraph 25.
- 26. Denies the allegations of paragraph 26.
- 27. Denies the allegations of paragraph 27.

FIRST AFFIRMATIVE DEFENSE

- 28. The complaint fails to state a claim upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

- 29. Plaintiffs lack standing to assert all or some of the antitrust violations in the complaint.

THIRD AFFIRMATIVE DEFENSE

- 30. Any contracts, contractual relations, and prospective economic relationships between ITS and its customers or suppliers alleged in the complaint violated Christianson's own contractual and fiduciary obligations to Colt, or otherwise were illegal, and are therefore void and unenforceable.

FOURTH AFFIRMATIVE DEFENSE

- 31. The complaint incorrectly defines the relevant market.

FIFTH AFFIRMATIVE DEFENSE

- 32. Plaintiffs are barred from any equitable relief by the doctrine of unclean hands.

SIXTH AFFIRMATIVE DEFENSE

- 33. ITS and Christianson fraudulently obtained the "per-

mission" allegedly given them, as alleged in paragraphs 21 and 22 of the complaint, to use certain tooling and to sell Colt parts and accessories. Christianson and ITS made certain misrepresentations set forth in a letter from Paul G. Gubbins dated March 11, 1976, which representations Christianson and ITS knew to be false at the time they were made. Colt relied on these misrepresentations to its detriment by agreeing not to object to ITS fulfilling its pre-existing binding contracts with Martin Marietta and Casting Engineers Inc. to purchase certain castings and forgings and resell them to Colt's Philippine licensee.

- 34. Colt never gave ITS or Christianson permission, after March of 1976, to make any other use of Colt's proprietary information, or to purchase or sell any other "M16" rifle parts and accessories.

SEVENTH AFFIRMATIVE DEFENSE AND COUNTERCLAIMS

Parties and Jurisdiction

- 35. Colt is a Delaware corporation with its principal place of business at 430 Park Avenue, New York, New York.

- 36. Upon information and belief, ITS is a Massachusetts corporation with its principal place of business at P. O. Box 66, Springfield, Massachusetts.

- 37. Upon information and belief, Christianson is a citizen of the State of Massachusetts and is the president and majority shareholder of ITS. Christianson is also a former employee of Colt.

- 38. This Court has jurisdiction over Colt's counterclaims pursuant to 28 U.S.C. §1331, §1338, §1332(a), 15 U.S.C. §1121, Fed. R. Civ. P. 13, and the doctrines of pendent and ancillary jurisdiction. The amount in controversy exceeds \$10,000, exclusive of interest and costs. Venue is proper in this district pursuant to 28 U.S.C. §1391.

Colt's Rights in the "M16" and "AR-15" Rifles

39. Colt is in the business, *inter alia*, of production and sale of firearms. During the late 1950s and early 1960s Colt acquired certain rights to inventions, patents, and other proprietary information, and further developed and designed, a 5.56 mm. automatic rifle that became known as the "AR-15," the "M16," and the M16A1" automatic rifles.

40. "AR-15" is the original name of the rifle and is still used by Colt to describe the semi-automatic sport or non-military version of the rifle. The names "AR-15" and "Colt AR-15" were registered as trademarks belonging to Colt in the Principal Register of the United States Patent Office on March 14, and April 18, 1967, respectively, and were assigned Registration Nos. 825,581 and 827,453, respectively.

41. The designation "M16" was originally given to Colt's rifle in 1966 by the United States Defense Department when the rifle was adopted as the Army's standard rifle. "M16A1" and "M16A2" are model variations reflecting product improvements in the original "M16," and the term "M16" will be used hereinafter to refer to all models.

42. Colts has devoted substantial time, effort, and money to promoting its trademarks and protecting them from infringement, and Colt has manufactured and sold the rifle known as the "M16" automatic rifle since at least 1966. The trademarks "M16" and "AR-15" have become distinctive and widely recognized names by which Colt's 5.56 mm. rifle has become known to the weapons industry, the military procurement agencies of foreign governments, and other purchasers; and the trademarks are inextricably associated with Colt.

43. By reason of the foregoing, Colt has the exclusive rights to the use of "AR-15" and "M16" in connection with rifles and their components.

44. Colt owns or controls the necessary inventions, patents, technical data, manufacturing and process data, know-how, and proprietary rights in connection with its rifle know as

the "M16." Colt has expended substantial time, effort, and money to safeguard its proprietary rights in this information.

45. Colt has developed detailed product drawings of all the components of the "M16" rifle. These drawings contain the dimensions, tolerances, material specifications and other information necessary to manufacture each part. Colt maintains these drawings as trade secrets, and takes measures to protect against disclosure to unauthorized persons. Such measures include placing a proprietary legend on the drawings, and requiring employees such as Christianson to sign agreements respecting those trade secrets, including the drawings.

46. Colt has licensed the United States Government, Department of the Army, to manufacture "M16" rifles and spare parts and accessories, and, with certain restrictions, to sell "M16" rifles, parts, and accessories. The United States Government is contractually obligated to protect Colt's proprietary rights in its technical data, drawings, and other proprietary information needed to manufacture the "M16" rifle. Colt has also licensed four foreign governments (the Philippines, Korea, Singapore and Canada), under similar contractual restrictions and obligations, to manufacture "M16" rifles, but only for each nation's own military use and not for sale to others. All of these foreign licenses, except for Colt's recent license agreement with Canada, have been terminated or have expired.

47. Each of Colt's licensees and former licensees has a continuing contractual obligation not to use outside of the license or to disclose Colt's technical and proprietary information, and to use and respect Colt's proprietary stamps on its drawings. Christianson has been aware, since the time of his employment with Colt, that Colt's licensees and former licensees have contractual obligations to Colt, including obligations to protect Colt's trade secrets including Colt's proprietary drawings.

48. Colt and the United States Government have sub-contracted with certain parts and accessories suppliers for the

manufacture of some of the partes and accessories for the "M16" rifle. These suppliers are contractually obligated to treat as confidential and proprietary Colt proprietary information to which they have been given access for this limited purpose and to use any specifications, drawings, tools, jigs, dies, fixtures, materials, and other items supplied or purchased by Colt or the United States Government only in performing work under contract with Colt or the United States Government. Christianson has been aware, since the time of his employment with Colt, that Colt's and U.S. government suppliers have contractual obligations to Colt and/or to the United States Government, including obligations to protect Colt's trade secrets including Colt's proprietary drawings.

Christianson's Obligations as a Colt Employee

49. Christianson was employed by Colt from June 1, 1970, through June 30, 1975. He held positions including tool designer, project specialist, project administrator, and supervisor of project planning. Christianson had significant responsibilities in Colt's programs for licensing the manufacture of "M16" rifles to the governments of Singapore, the Philippines, and Korea. In these positions of trust, Christianson was given access to Colt's proprietary technical data for the "M16" rifle, including drawings and process and manufacturing specifications. Christianson was aware that Singapore, the Philippines and Korea obtained the drawings and other technical data utilized to manufacture "M16" rifles through their licenses with Colt.

50. Prior to and as a condition of being employed by Colt, Christianson signed an agreement not to disclose, either during or after his employment, without the written consent of an executive officer of Colt, any confidential information obtained in Colt's employ. (A copy of the "Employee Invention & Confidential Information Agreement" signed by Christianson is annexed hereto as Exhibit A.) Colt gave Christianson written notice, which he acknowledged receiving, reading and understanding, that "[t]he confidential information made available to an employee in the course of his employment with Colt Indus-

tries is the property of the company and may not be disclosed to unauthorized individuals." (A copy of this policy and procedure statement, acknowledged by Christianson, is annexed hereto as Exhibit B). Upon resigning from Colt, Christianson certified that he had had access to Colt's proprietary trade secrets and confidential information and that he had accounted for and returned all such material. (A copy of Christianson's "Termination Certification" is annexed hereto as Exhibit C.)

51. During his employment with Colt, Christianson had notice and knowledge that Colt placed restrictive legends on Colt's product drawings for "M16" rifle parts. Christianson was also aware, on information and belief, that Colt's licensees or former licensees, and present or former suppliers to Colt or the United States Government, were contractually obligated not to sell "M16" rifles, parts, or accessories to anyone other than Colt or the United States Government by the misuse or disclosure of Colt's proprietary technical information or the use of Colt property.

Christianson's Breach of His Obligations to Colt, Tortious Interference with Colt's Contracts, Misappropriation of Colt's Property, and False Representations about ITS Products.

52. Upon information and belief, Christianson deliberately retained, or obtained from sources he knew to be under an obligation to keep such information confidential, Colt's proprietary drawings and other trade secrets pertaining to the "M16" rifle. Christianson has used this information for his personal benefit and that of ITS.

53. ITS and Christianson have contacted and negotiated with Colt's suppliers and former licensees, as well as the United States Government's suppliers, in a concerted effort to induce the suppliers and licensees to breach their contractual and other obligations to or for the benefit of Colt. Upon information and belief, one or more such entities have breached their obligations to or for the benefit of Colt as a result of ITS's and Christianson's actions.

54. Within a month after leaving Colt's employ, Christianson had in his possession a number of product drawings for "M16" rifle parts, which were designated as Philippine drawings and clearly identified as being proprietary to Colt. Christianson and ITS entered into a contract with Colt's Philippine licensee to supply it with "M16" forgings and castings.

55. In or about late 1975 and early 1976, Christianson, through ITS, approached Casting Engineers and Martin Marietta, knowing that both these companies were Colt suppliers, for the purpose of ordering "M16" rifle castings and forgings for resale to Colt's Philippine licensee.

56. Relying on Christianson's misrepresentations as set forth in paragraph 33 above, Colt advised ITS in March 1976 that Colt would not object if ITS fulfilled its existing, binding contracts with Casting Engineers and Martin Marietta to purchase parts for resale to Colt's Philippine licensee. Colt further advised Christianson and ITS that Colt did not waive any rights -- proprietary, contractual or otherwise -- Colt might have as to any future situations of this kind.

57. Christianson and ITS never sought, and Colt never gave permission, after March 1976, for ITS or Christianson to enter into any new contracts to use Colt's "M16" technical data to make, purchase or sell "M16" parts. Nevertheless, ITS proceeded, without requesting or obtaining permission from Colt, to enter into new contracts to supply "M16" rifle parts, not only to the Philippine government, but also to the government of Singapore and to others.

58. In connection with ITS's contracts with Colt's Singapore licensee, ITS obtained drawings of "M16" rifle parts identified with a "CT" prefix. Christianson recognized these Singapore drawings to be the same or substantially similar to Colt drawings of the same parts. ITS used these drawings, and also used Colt drawings previously obtained from the Philippine government and Colt drawings already in the possession of Colt suppliers, to purchase and sell "M16" parts to various customers.

59. In or about 1980, ITS, through its Tool Supply Division, began to sell to customers in the United States its excess inventory of "M16" rifle parts which it had obtained through the use of Colt's own or Colt's Philippine or Colt's Singapore drawings. In its promotional literature, ITS described the "M16" parts being offered for sale as, *inter alia*, "manufactured in accordance with U.S. Military Specifications."

60. ITS has continued to sell these "M16" rifle parts to customers in the United States until its entire inventory was liquidated in early 1984. Even after Colt commenced a lawsuit against Christianson and ITS in October of 1983, ITS and Christianson continued to dispose of this inventory. Since October 1983, ITS has sold approximately \$50,000 worth of "M16" rifle parts obtained through the misuse of Colt's proprietary information.

FIRST COUNTERCLAIM

61. Colt repeats and realleges paragraphs 35 through 60 above.

62. By reason of the foregoing, Christianson has, for his own personal benefit and on behalf of the company he controls, ITS, breached his contractual and other duties to Colt.

63. The actions of Christianson and ITS have caused irreparable harm to Colt, and will continue unless enjoined.

64. Colt has no adequate remedy at law.

SECOND COUNTERCLAIM

65. Colt repeats and realleges paragraphs 35 through 60 and paragraph 62 above.

66. As a result of the foregoing, Colt has been damaged in the amount of \$3 million.

THIRD COUNTERCLAIM

67. Colt repeats and realleges paragraphs 35 through 60 above.

68. Plaintiffs have converted and misappropriated to their own use the name, skill, effort, expenditures, reputation, and distinctive descriptions and indicia associated with the rifles, parts and accessories manufactured by Colt; and plaintiffs have passed off their business and products as authorized or sponsored by Colt, and have wrongfully associated their business with Colt's.

69. Plaintiffs have thereby been unjustly enriched, and Colt has been deprived of the value of the business it has created and developed.

70. By reason of the foregoing, plaintiffs have engaged in statutory and common law unfair competition, misappropriation, and conversion of Colt's property, and will continue to do so unless enjoined.

71. Colt has no adequate remedy at law.

FOURTH COUNTERCLAIM

72. Colt repeats and realleges paragraphs 35 through 60, and 68 through 70, above.

73. By reason of plaintiffs' conversion, misappropriation, and unfair competition, Colt has been damaged in the amount of \$3 million.

74. Plaintiffs' conduct in converting and misappropriating Colt's property was fraudulent, willful, and in wanton disregard of Colt's rights.

FIFTH COUNTERCLAIM

75. Colt repeats and realleges paragraphs 35 through 60 above.

76. By reason of the foregoing, plaintiffs have tortiously interfered with contractual and other obligations owed Colt by its former licensees and its and the United States Government's suppliers, and will continue to do so unless enjoined.

77. Colt has no adequate remedy at law.

SIXTH COUNTERCLAIM

78. Colt repeats and realleges paragraphs 35 through 60 and 76 above.

79. By reason of plaintiffs' intentional inducement of third parties to breach their contractual obligations to Colt, Colt has been damaged in the amount of \$3 million.

80. Plaintiffs' conduct in tortiously interfering with contractual obligations to Colt was fraudulent, willful, and in wanton disregard of Colt's rights.

SEVENTH COUNTERCLAIM

81. Colt repeats and realleges the allegations in paragraphs 35 through 60 above.

82. The use by Christianson and ITS of the designation "M16" and of "M16" part numbers; and plaintiffs' use, on information and belief, of other words, designations, representations, and descriptions, including the description that ITS "M16" parts are manufactured in accordance with U.S. military specifications, constitute deliberate and willful false descriptions, representations, and designations of origin of goods entered into commerce by ITS and infringement of Colt's registered and common law trademarks which are likely to cause confusion and mistake, all in violation of § 43(a) of the Lanham Trademark Act of 1946, as amended, 15 U.S.C. § 1125(a).

83. Plaintiffs' acts were deliberate and willful and have caused and will continue to cause irreparable injury to defendant, unless enjoined by this Court.

84. Colt has no adequate remedy at law.

EIGHTH COUNTERCLAIM

85. Colt repeats and realleges paragraphs 35 through 60 and paragraphs 82 and 83 above.

86. Colt has been damaged by plaintiffs' violation of § 43(a)

of the Lanham Trademark Act, 15 U.S.C. § 1125(a), in the amount of \$3 million.

NINTH COUNTERCLAIM

87. Colt repeats and realleges paragraphs 35 through 60 and 82 above.

88. By reason of the foregoing, plaintiffs have willfully and deliberately engaged in deceptive trade practices in violation of Ill. Rev. Stat. ch. 121 1/2 § 312, and will continue to do so unless enjoined.

89. Colt has no adequate remedy at law.

TENTH COUNTERCLAIM

90. Colt repeats and realleges paragraphs 35 through 60 and 82 above.

91. By reason of the foregoing, plaintiffs have created a likelihood of injury to Colt's business and of dilution of the distinctive quality of its registered mark "AR-15" and its common-law mark "M16," in violation of Ill. Rev. Stat. ch. 140 § 22.

92. Colt has no adequate remedy at law.

ELEVENTH COUNTERCLAIM

93. Colt repeats and realleges paragraphs 35 through 60 and paragraph 82 above.

94. By reason of the foregoing, Colt has been damaged in the amount of \$3 million.

WHEREFORE, Colt demands judgment against plaintiffs dismissing the complaint and:

1. Permanently enjoining defendants, their officers, agents, servants, employees, attorneys, and all others in active concert or participation with them, from

(a) using or disclosing any of Colt's proprietary information;

(b) representing that ITS's "M16" rifle parts are equivalent to Colt's "M16" rifle parts or that the parts are interchangeable with those of plaintiffs "M16" rifles, or that the parts meet U.S. Military specifications;

(c) using, without written Colt authorization, any Colt, U.S. Government, Philippine, Singapore, or Korean drawing for "M16" parts, or any information obtained or derived from any such drawings;

(d) soliciting or ordering from Colt's current or former suppliers or licensees or from the Government's suppliers, any "M16" parts, the manufacture of which would use Colt's proprietary information or other property;

(e) selling "M16" parts obtained or known to have been procured from Colt's current or former suppliers or licensees or from the Government's suppliers through the misuse of Colt's proprietary information; and

(f) committing acts of false designation of origin, authorization, or sponsorship, or of false description through the affixing, applying, annexing, or making of any other use of the names and designations "Colt," "M16," "M-16," "M16A1," "AR-15," or "XM-15" and/or any other acts which tend falsely to describe or represent weapons or parts being sold or offered for sale by Christiansen or ITS.

2. Directing plaintiffs to destroy any and all "M16," "M16A1," "AR-15" or "XM-15" rifles, parts and accessories, and replicas thereof; all drawings, copies of drawings, or documents containing information obtained or derived from drawings under plaintiffs' care, custody, or control for any rifle or parts thereof designated "XM-15" or "M16," including all "M16" drawings obtained from the Philippines or Singapore;

3. Awarding Colt damages in the amount of \$3 million; and, with respect to Colt's fourth and eighth claims, awarding Colt damages of up to three times the amount of actual damages.

4. Ordering Christiansen to account for all profits made by plaintiffs from the sale of "M16" rifle parts through the use of Colt's proprietary information and for all profits made from the

sale of such rifle parts through false designations of origin and false description;

5. Awarding Colt the costs, including attorneys' fees, of this action, pursuant to 15 U.S.C. § 1117, and Ill. Rev. Stat. Ch. 121 1/2 §313; and

6. For such other and further relief as the Court deems just and proper.

COLT INDUSTRIES OPERATING
CORP,
DEFENDANT

By: /S/ Anthony M. Radice
for PARKER AUSPITZ
NEESEMANN
& DELEHANTY P.C.
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-and-

WILLIAN, BRINKS OLDS HOFER
GILSON & LIONE LTD.
(Robert L. Harman, Robert M. Barrett,
of counsel)
1 IBM Plaza, Room 4100
Chicago, Illinois 60611

COLT INDUSTRIES POLICY AND PROCEDURES

Subject: Number: 52.0
Conflict of Interest Page: 1 of 2
Date: April 5, 1965

Approved by:
/S/ A. C. Hilton

POLICY

Employees may not engage in activities or maintain ties involving conflict with their responsibilities to Colt Industries. Such unacceptable activities, interests, or connections include those which may diminish or endanger the energy or objectivity with which the employee discharges his duties at Colt Industries as well as those which may give rise to adverse publicity or result in a legal liability.

APPLICATION

1. No employee may accept a substantial gift or favor from a customer or supplier of Colt Industries or from any one or any firm with whom the employee is dealing on behalf of Colt Industries.
2. No employee and no member of his immediate family may have any financial interest whether as a stockholder (or other owner) or creditor in a non-publicly owned enterprise if a substantial part of the business of that enterprise consists of acting as a supplier, competitor, or customer of Colt Industries.
3. No employee and no member of his immediate family may have any financial interest whether as a stockholder (or other owner) or creditor in any non-publicly owned enterprise *with which the employee deals*, either directly or indirectly, on behalf of Colt Industries, *whether or not the volume of business transacted with such enterprise is substantial*.
4. No employee may be also employed by, or serve as an officer, director or consultant of, any enterprise which is a

6. The confidential information made available to an employee in the course of his employment with Colt Industries is the property of the company and may not be***

Subject: Conflict of Interest
(Initialed by ACH)

Number: 52.0
Page: 2 of 2
Date: April 5, 1965

9. Local personnel officers or general managers will, as appropriate, seek the advice of the Vice President Administration, or the Vice President-General Counsel of Colt Industries.

1/5/66

Dr. Andrew C. Hilton
Vice President Administration
Corporate Headquarters
New York

Dear Dr. Hilton:

I hereby acknowledge receiving, reading and understanding Colt Industries Inc. Policy No. 52.0, "Conflict-of-Interest", dated April 5, 1965.

Very truly yours,

/S/ Charles R. Christianson
(Signature)

/S/ Tool Designer (Title)

/S/ Colt Firearms (Organization)

Date: /S/ May 26, 1970

EMPLOYEE INVENTION & CONFIDENTIAL INFORMATION AGREEMENT

In consideration of my employment by COLT'S PATENT FIRE ARMS MFG. CO., INC., of Hartford, Connecticut, (hereinafter referred to as "Colt's") and the salary or wages to be paid to me, I hereby agree as follows:

1. The term "inventions" as used in this agreement means and includes any and all inventions, improvements, secret processes and discoveries, whether or not patentable, relating or pertaining to the business of Colt's, made or conceived by me during the period of my employment by Colt's, regardless of whether made or conceived by me (a) alone or jointly with others, (b) during or outside of working hours, and/or (c) utilizing Colt's premises, tools or materials, or otherwise.

2. I agree that my entire right, title, or interest, both domestic or foreign, in any and all inventions (as defined above) shall belong to Colt's, and I will and do hereby assign and convey to Colt's, its successors and assigns, any and all said inventions.

3. I agree that I will promptly disclose to Colt's, its successors and assigns, and to no other persons, any and all inventions (as defined above) and that when required, I will sign any and all papers which in the opinion of officials of Colt's shall be deemed necessary to protect any of said inventions by Letters Patent and any and all further papers as may be necessary, in the opinion of such officials to vest in Colt's the entire right, title, and interest in said inventions in the United States and all foreign countries.

4. I further agree that during and after my employment by Colt's, I will not disclose to any third person any confidential information obtained by me while in the employ of Colt's, unless such disclosure is consented to in writing by an executive officer of Colt's; and I further agree that upon leaving the employ of Colt's, I shall deliver to Colt's any model, drawing, reproduction or other document or property of Colt's which may be in my possession or under my control.

5. I have listed on the reverse hereof all patents and patent applications which have been taken out or filed in my name and also have listed (with a short description) all unpatented inventions which I have made prior to entering the employ of Colt's. I represent that this list is complete and agree that only those patent applications and inventions listed and described on the reverse hereof are to be excluded from this agreement.

6. I further agree that I will not, during the term of this agreement, accept any employment from, or perform any services for, any person, firm or other company engaged in the development and/or manufacture of products of the general character in the process of development or produced by Colt's.

/S/ [Signature Unknown]
Witness

/S/ Charles R. Christianson
Signature of Employee

/S/ 5/26/70
Date

"EXHIBIT C"

COLT INDUSTRIES OPERATING CORP**Termination Certification**

During the course of my employment by Colt Industries Operating Corp (heretofore sometimes known as Colt's Inc. and Colt's Patent Firearms Company, Inc.) I have had access to design data, process and manufacturing information, and/or accounting, sales, production costs or similar data all of which is deemed by Colt Industries Operating Corp to be proprietary trade secrets and confidential information and may have been in the possession of certain manuals, blueprints, specifications, memoranda, diaries, notebooks and other documents pertaining to the company's business.

I hereby certify that I have accounted for and returned all material of whatever kind containing company information received or prepared by me in connection with my employment and that I have retained no copies or reproductions or excerpts of such material.

WITNESSED:

/S/ [Signature Unknown] /S/ Charles R. Christianson

DATE /S/ 6/27/75

"EXHIBIT D"

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)	
INTERNATIONAL TRADE SERVICES,)	
INC., a Massachusetts)	
corporation,)	
<i>Plaintiffs,</i>)	
	)	Civil Action
vs.	)	No. 84-4056
)	
COLT INDUSTRIES OPERATING)	
CORP, a Delaware Corporation,)	
)	
<i>Defendant.</i>)	

REPLY TO COUNTERCLAIMS

CHARLES R. CHRISTIANSON ("Christianson") and INTERNATIONAL TRADE SERVICES, INC. ("ITS"), by their attorneys, Katz, McAndrews, Durkee, Balch & Lefstein, P.C., without waiving their right to claim costs, expenses and attorney's fees against defendant pursuant to Rule 41(d) of the Federal Rules of Civil Procedure on account of defendant's prior dismissal of Civil Action No. 83-4072 against plaintiffs and its representment of the claims there asserted by the filing of the subject counterclaims, hereby reply to the affirmative defenses and counterclaims of defendant ("defendant" or "Colt"), as follows:

1 - 27. Pursuant to Rule 7(a) of the Federal Rules of Civil Procedure, make no response to paragraphs 1 through 27 of defendant's Answer for the reason that no response is allowed.

28 - 34. Deny affirmative defenses First through Sixth.

35. Admit paragraph 35.

36. Admit paragraph 36.

37. Admit paragraph 37.

38. With respect to paragraph 38, admit the existence of the statutes cited and that the counterclaims purport to be brought pursuant to said statutes, but deny that defendant has any valid claims pursuant to the cited statutes. Admit that venue is proper in this district.

39. With respect to paragraph 39, admit that Colt is in the business, *inter alia*, of production and sale of firearms, that during the late 1950's and early 1960's, Colt acquired certain rights to inventions and patents with respect to the M-16, which patents for the most part have now expired, and deny the remainder of the paragraph.

40. With respect to paragraph 40, state that the Principal Register trade mark numbers 825,581 and 827,453 speak for themselves, and deny the remainder of the paragraph.

41. With respect to paragraph 41, admit that the United States Defense Department designated the Army's 5.56mm. automatic rifle as an M-16, but deny the remainder of the paragraph.

42. Deny paragraph 42.

43. Deny paragraph 43.

44. Deny paragraph 44.

45. With respect to paragraph 45, admit that Colt has developed detailed product drawings of the components of the "M-16" rifle. Admit that Colt has placed a proprietary legend on some of its drawings, deny that the legend has validity, and deny the remainder of paragraph 45.

46. With respect to paragraph 46, admit that Colt entered into a patent license agreement with the United States government, Department of the Army, with respect to the "M-16" and that Colt also entered into agreements with the foreign governments named, with the exception of Canada, of which plaintiffs have no knowledge, and have no knowledge that the foreign agreements have expired. Deny all other allegations in paragraph 46.

47. Deny paragraph 47, and state affirmatively that Colt has no trade secrets in the information and proprietary drawings described.

48. With respect to paragraph 48, admit that Colt and the United States government have subcontracted with certain parts and accessories suppliers with respect to the M-16, and admit that Christianson has been aware that Colt during the life of the applicable patents claimed that its alleged proprietary drawings were to be protected pursuant to contractual obligations, but deny the remainder of the paragraph, and deny that the claimed contractual obligations had or have any validity particularly after the expiration of the applicable patents.

49. With respect to paragraph 49, admit that defendant Christianson was an employee of Colt from 1970 through 1975, but believe that the precise dates set forth in the counterclaims are incorrect. Admit the second sentence of paragraph 49, except deny that he was a project specialist. Admit that Christianson had some awareness that Singapore, the Philippines and Korea obtained drawings and technical data through their licenses with Colt. Deny the remainder of paragraph 49.

50. With respect to paragraph 50, admit that Christianson signed Exhibits A through C attached to the counterclaims, state affirmatively that the exhibits speak for themselves, deny all statements in paragraph 50 that are inconsistent with said exhibits, and state affirmatively that depending on the construction given one or more of said exhibits, the same are void for the reasons set forth in paragraph 126, *infra*.

51. With respect to paragraph 51, admit that Christianson was aware that Colt placed restrictive legends on some of its product drawings for M-16 rifle parts, and had some awareness of the purported obligations of the Philippines and Korea. Deny the remainder of paragraph 51 and state affirmatively that after the applicable patents expired there could be no misuse or improper disclosure of Colt's alleged proprietary technical information or drawings since Colt no longer had any proprietary rights to said information or drawings.

52. Deny paragraph 52 and deny that Colt has any proprietary trade secrets pertaining to the M-16 rifle following the expiration of the applicable patents.

53. Deny paragraph 53.

54. With respect to paragraph 54, admit that within a month after leaving Colt's employ Christianson for ITS received product drawings from the Philippine government which have markings on them that speak for themselves, but which drawings were represented by the Philippine government as not being proprietary to Colt, which representation was ultimately concurred in by Colt. Admit that ITS entered into a contract with the Philippine government to supply forgings and castings, but deny that Christianson did, and state that the reference to, "Colt's Philippine licensee," is immaterial and irrelevant.

55. Admit paragraph 55, but state affirmatively that Christianson's knowledge that Casting Engineers and Martin Marietta were Colt suppliers came from the Philippine government, and that the Philippine government informed Christianson that obtaining quotations from those companies was proper, which representations were ultimately concurred in by Colt.

56. With respect to paragraph 56, deny that Christianson engaged in any misrepresentations, deny that Colt relied on any misrepresentations, deny that paragraph 33 sets forth any specific misrepresentations, admit that Colt advised ITS in March 1976 that Colt would not object if ITS fulfilled certain contracts, but state affirmatively that the nature of the permission extended was broader than described in paragraph 56. Admit that in certain correspondence, but not in face to face meetings that the correspondence purported to summarize, Colt advised that it was not waiving any rights it "may" have as to future situations, state affirmatively that Colt in no manner invoked any claimed rights as to future situations, instead indicated that permission was extended on an "*ad hoc*" basis in the correspondence, and for approximately eight years following said advice, Colt never imposed any restrictions against ITS or Christianson as to the rights it "may" have had.

57. With reference to paragraph 57, admit that Christianson and ITS never sought further permission after March 1976 to enter into new contracts for the reason that no further permission was needed, the same having been previously given, and never withdrawn. Admit that ITS entered into new contracts to supply M-16 rifle parts, but deny that the same was without permission from Colt, the same having previously been given, and that additionally no permission was needed after the expiration of the applicable patents.

58. With respect to paragraph 58, deny that Christianson or ITS ever used Colt drawings, and state affirmatively that non-Colt drawings were always employed by him and his company in connection with purchasing and selling M-16 parts to customers. If Colt drawings were in fact utilized by suppliers of ITS, it was without authorization or direction from ITS. Admit that ITS obtained drawings with a CT prefix, and admit that Christianson ultimately recognized these drawings to be similar to Colt drawings, but not immediately upon their receipt. Admit that ITS used the CT drawings and Philippine drawings for quotations. Deny that drawings obtained from the Philippine government were Colt drawings, and state affirmatively that Colt has acknowledged that these drawings were non-Colt drawings.

59. With respect to paragraph 59, admit that ITS began to sell to customers in the United States its excess inventory of M-16 rifle parts, but deny that the same had been obtained through the use of Colt drawings. Admit that the same had been obtained through the use of Philippine or Singapore drawings, but that the same were not Colt drawings as that term had previously been agreed to by Colt. Deny the remainder of paragraph 59.

60. With respect to paragraph 60, admit that ITS continued to sell M-16 rifle parts in the United States until its entire inventory was liquidated in early 1984, but deny that it sold "these" M-16 rifle parts if said term refers to rifle parts obtained through the use of Colt drawings. Admit that ITS continued to dispose of its inventory after Colt commenced a

lawsuit against Christianson and ITS. Admit that ITS had sold approximately \$50,000.00 worth of M-16 rifle parts since October 1983, but deny that the parts were obtained through the misuse of Colt's proprietary information.

REPLY TO FIRST COUNTERCLAIM

61. Plaintiffs repeat and reallege in response to paragraph 61 their reply set forth in paragraphs 35 through 60 above.

62. Deny paragraph 62.

63. Deny paragraph 63.

64. Deny paragraph 64.

REPLY TO SECOND COUNTERCLAIM

65. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 and paragraph 62.

66. Deny paragraph 66.

REPLY TO THIRD COUNTERCLAIM

67. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 above.

68. Deny paragraph 68.

69. Deny paragraph 69.

70. Deny paragraph 70.

71. Deny paragraph 71.

REPLY TO FOURTH COUNTERCLAIM

72. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60, and 68 through 70.

73. Deny paragraph 73.

74. Deny paragraph 74.

REPLY TO FIFTH COUNTERCLAIM

75. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 above.

76. Deny paragraph 76.

77. Deny paragraph 77.

REPLY TO SIXTH COUNTERCLAIM

78. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 and 76 above.

79. Deny paragraph 79.

80. Deny paragraph 80.

REPLY TO SEVENTH COUNTERCLAIM

81. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 above.

82. Deny paragraph 82.

83. Deny paragraph 83.

84. Deny paragraph 84.

REPLY TO EIGHTH COUNTERCLAIM

85. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 and paragraphs 82 and 83 above.

86. Deny paragraph 86.

REPLY TO NINTH COUNTERCLAIM

87. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 and 82 above.

88. Deny paragraph 88.

89. Deny paragraph 89.

REPLY TO TENTH COUNTERCLAIM

90. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 and 82 above.

91. Deny paragraph 91.

92. Deny paragraph 92.

REPLY TO ELEVENTH COUNTERCLAIM

93. Plaintiffs repeat and reallege their reply to paragraphs 35 through 60 and paragraph 82 above.

94. Deny paragraph 94.

FIRST DEFENSE TO ALL COUNTERCLAIMS

95. Defendant's counterclaims do not state a cause of action against the plaintiffs and fail to state a claim upon which relief can be granted.

SECOND DEFENSE TO ALL COUNTERCLAIMS

96. As a second defense to all of the counterclaims, the Patent License Agreement which Colt entered into with the United States government, Department of the Army, in or about June 30, 1967, with respect to the M-16 and the agreements Colt entered into with the Philippines, Korea and Singapore with respect to the M-16 are, and were, invalid and unenforceable.

THIRD DEFENSE TO ALL COUNTERCLAIMS

97. For a third defense to all of the counterclaims, the plaintiffs have not committed any acts of trade mark infringement, unfair competition, false designation of origin or any other tort against Colt.

FOURTH DEFENSE TO ALL COUNTERCLAIMS

98. For a fourth defense to all of the counterclaims, Colt is barred from obtaining any relief in respect to any of the causes

of action asserted in the counterclaim by reason of Colt's *laches* in respect to such claimed causes of action.

FIFTH DEFENSE TO ALL COUNTERCLAIMS

99. For a fifth defense, Colt is barred from obtaining any relief in respect to any of the counterclaims by reason of Colt's acquiescence, waiver and consent to all of plaintiffs' actions of which complaint is now made.

SIXTH DEFENSE TO ALL COUNTERCLAIMS

100. For a sixth defense, Colt is barred from obtaining any relief in respect to any of the counterclaims because of acts of Colt giving rise to estoppel.

SEVENTH DEFENSE TO ALL COUNTERCLAIMS

101. For a seventh defense to all of the counterclaims, there is no liability on the part of the plaintiffs because plaintiffs have competed fairly with Colt.

EIGHTH DEFENSE TO ALL COUNTERCLAIMS

102. For an eighth defense to all of the counterclaims, there is no liability on behalf of the plaintiffs because the products and advertising of ITS prominently display the ITS trade name.

NINTH DEFENSE TO ALL COUNTERCLAIMS

103. For a ninth defense to all of the counterclaims, there has been no actual confusion resulting from activities of the plaintiffs and there is no reasonable likelihood of confusion.

TENTH DEFENSE TO ALL COUNTERCLAIMS

104. For a tenth defense to all of the counterclaims, the term "M-16" may not be monopolized by Colt in that such term has been used by numerous parties and is available to all competitors.

ELEVENTH DEFENSE TO ALL COUNTERCLAIMS

105. For an eleventh defense to all of the counterclaims, the term "AR-15" may not be monopolized by Colt in that such term has been used by numerous parties and is available to all competitors.

TWELFTH DEFENSE TO ALL COUNTERCLAIMS

106. For a twelfth defense to all counterclaims, the features of Colt's rifle upon which it bases its claims are functional, and therefore, incapable of trade mark protection.

THIRTEENTH DEFENSE TO ALL COUNTERCLAIMS

107. For a thirteenth defense to all counterclaims, the term "M-16" has not obtained and cannot obtain secondary meaning so as to entitle it to legal protection. The term "AR-15" has not obtained and cannot obtain secondary meaning so as to entitle it to legal protection.

FOURTEENTH DEFENSE TO ALL COUNTERCLAIMS

108. For a fourteenth defense to all counterclaims, the use by the plaintiffs of the term "M-16" has been a fair use.

FIFTEENTH DEFENSE TO ALL COUNTERCLAIMS

109. For a fifteenth defense to all counterclaims, plaintiffs do not believe they have used the term "AR-15", but if the same had been used, it would have been a fair use since said term is not entitled to legal protection.

SIXTEENTH DEFENSE TO ALL COUNTERCLAIMS

110. For a sixteenth defense to all counterclaims, the term "M-16" is a generic term for a type of rifle and has no trade mark significance.

SEVENTEENTH DEFENSE TO ALL COUNTERCLAIMS

111. For a seventeenth defense to all counterclaims, the

term "AR-15" is a generic term for a type of rifle and has no trade mark significance.

EIGHTEENTH DEFENSE TO ALL COUNTERCLAIMS

112. For an eighteenth defense to all counterclaims, Colt's basic patents with respect to the M-16 and many of Colt's improvement patents on the original M-16 have expired. The five unexpired patents retained by Colt with respect to minor variations of the M-16 need not be infringed to manufacture the M-16. Unless the aforementioned patents were invalid through the wrongful retention of proprietary information in contravention of the United States Patent Act (35 U.S.C., §112), when such patents expired, anyone who has ordinary skill in the rifle making art is able to use the information and the expired patents for which Colt earlier had a monopoly position for seventeen years. Plaintiffs and/or anyone has the right to manufacture, sell and/or contract for the manufacture, marketing and selling of the M-16 and M-16 parts and components.

NINETEENTH DEFENSE TO ALL COUNTERCLAIMS

113. For a nineteenth defense to all counterclaims, Colt has engaged in and is engaged in a scheme and plan to maintain its dominant market position in the sale and manufacture of the M-16 after the expiration of the basic patents with respect to such, to monopolize and restrain competition in the domestic and foreign markets for the M-16 and M-16 parts and accessories.

TWENTIETH DEFENSE TO ALL COUNTERCLAIMS

114. For a twentieth defense to all counterclaims, Colt has engaged in, and is engaged in, the wrongful acquisition of patent monopolies with respect to the M-16 through the fraudulent procurement of patents without the required disclosure of the patent technology and the maintenance of such patent technology as a trade secret for the purpose of extending the patent monopoly beyond the expiration thereof.

TWENTY-FIRST DEFENSE TO ALL COUNTERCLAIMS

115. For a twenty-first defense to all counterclaims, Colt is attempting to unlawfully extend its monopoly with respect to the expired M-16 patents through restrictive covenants with suppliers and manufacturers of M-16 parts and accessories which require such suppliers to refrain from selling M-16 parts to anyone other than Colt and the United States Government.

TWENTY-SECOND DEFENSE TO ALL COUNTERCLAIMS

116. For a twenty-second defense to all counterclaims, Colt is unlawfully maintaining a monopoly of the market of the M-16 through restrictive covenants with licensees and subcontractors, including the United States Government and suppliers and manufacturers of M-16 parts and accessories, to protect and preclude the use of technical data contained in the basic M-16 patents after the expiration of such patents.

TWENTY-THIRD DEFENSE TO ALL COUNTERCLAIMS

117. For a twenty-third defense to all counterclaims, Colt is misusing its unexpired patents by contracting with parts suppliers to preclude the sale of any M-16's which contain parts covered by the unexpired patents.

TWENTY-FOURTH DEFENSE TO ALL COUNTERCLAIM

118. For a twenty-fourth defense to all counterclaims, Colt has unlawfully imposed resale restrictions upon the resale of the M-16 and M-16 parts and accessories by class 3 arms dealers in order to prevent plaintiffs or anyone other than law enforcement agencies from purchasing such.

TWENTY-FIFTH DEFENSE TO ALL COUNTERCLAIMS

119. For a twenty-fifth defense to all counterclaims, Colt is

coercing M-16 parts suppliers to agree to refrain from selling M-16 parts to anyone other than Colt and/or the United States government through letters designed to persuade such suppliers that Colt retains patent and proprietary rights with respect to the M-16 and that failure to comply with such demand will result in expensive and burdensome litigation.

TWENTY-SIXTH DEFENSE TO ALL COUNTERCLAIMS

120. For a twenty-sixth defense to all counterclaims, Colt, together with the United States Government and various suppliers and manufacturers of M-16 parts, and each of them, are engaging in a group boycott and refusal to make or sell M-16 parts and accessories for or to plaintiffs or anyone other than Colt and/or the United States Government.

TWENTY-SEVENTH DEFENSE TO ALL COUNTERCLAIMS

121. For a twenty-seventh defense to all counterclaims, Colt is disseminating threats and veiled threats of litigation in order to coerce and scare M-16 parts suppliers and purchasers of the M-16 to refrain from selling, purchasing or otherwise doing business with plaintiffs.

TWENTY-EIGHTH DEFENSE TO ALL COUNTERCLAIMS

122. For a twenty-eighth defense to all counterclaims, Colt intentionally interfered with the contractual relationships and prospective economic advantages of plaintiffs and with the probability of prospective contractual relations with numerous other persons and entities with an intent and design to disrupt such relationships by instituting the subject counterclaims and its predecessor litigation against plaintiffs in this court in Civil Action 83-4072 and then dismissing the same, all for the purpose and in furtherance of the scheme and plan of Colt to maintain its dominant market position in the sale and manufacture of the M-16 after the expiration of the basic patents with

respect to such, to monopolize and restrain competition in the domestic and foreign markets for the M-16 and M-16 parts and accessories.

TWENTY-NINTH DEFENSE TO ALL COUNTERCLAIMS

123. For a twenty-ninth defense to all counterclaims, Colt has abused process by initially filing its complaint against these plaintiffs in this court in Case No. 83-4072, then dismissing the same and now reasserting the subject counterclaims, and in Case No. 83-4072 seeking a preliminary injunction and subjecting plaintiffs to extensive discovery in Colt's unsuccessful effort to obtain such injunction, in that such uses of process were in bad faith for the reason that Colt had actual and constructive knowledge that plaintiffs had not infringed any proprietary rights of Colt, and that in fact what plaintiffs had done resulted initially from Colt's permission and/or the use of expired patents for which Colt had no rights, and said ill founded uses of process, both the initial suit in Case No. 83-4072 and the subject counterclaims, have not and are not employed to win a favorable judgment against plaintiffs, but are part of the purposeful drive of Colt to prevent plaintiffs from participating in the M-16 market in order to eliminate competition in such market. The ulterior purpose and motivation of Colt in so misusing process in the above-described manner is to obtain the following advantage over plaintiffs: to harass and overburden plaintiffs with legal expense, to prevent them, and deter others, from competing with Colt in the sale of the M-16, and all of their actions have had the effect of putting ITS out of business and have cost Christianson the loss of employment with ITS and the only occupation for which he has extensive experience and training.

THIRTIETH DEFENSE TO ALL COUNTERCLAIMS

124. For a thirtieth defense to all counterclaims, plaintiff Charles Christianson did not violate any of the exhibits attached to the counterclaims.

THIRTY-FIRST DEFENSE TO ALL COUNTERCLAIMS

125. For a thirty-first defense to all counterclaims, none of the exhibits attached to the counterclaims contain restrictions that form the basis of allegations of misconduct against plaintiffs.

THIRTY-SECOND DEFENSE TO ALL COUNTERCLAIMS

126. For a thirty-second defense to all counterclaims, if it may be said that plaintiff Christianson violated any of the exhibits attached to the counterclaims, to the extent of said violations, the exhibits are void for the reason that they are unreasonable as to time and place and would have the effect of prohibiting Christianson from making a living in the only occupation for which he has training and experience.

WHEREFORE, in response to the counterclaims of defendants, plaintiffs pray as follows:

1. That defendant Colt take nothing by its counterclaims;
2. For costs of suit herein;
3. For attorney's fees herein; and
4. For such further relief as the court deems just and proper.

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE
SERVICES, INC.,
Plaintiffs

By: /S/ Stuart R. Lefstein

For:
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**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)
INTERNATIONAL TRADE)
SERVICES, INC., a)
Massachusetts corporation,)
)
<i>Plaintiffs,</i>)
)
	) Civil Action
	) No. 84-4056
)
vs.)
)
COLT INDUSTRIES OPERATING	) FILED
CORP., a Delaware	) JUN 27 1984
corporation,	) Robert J. Kauffman,
<i>Defendant.</i>	) Clerk
	) U.S. District Court
COLT INDUSTRIES OPERATING	) Central District of
CORP., FIREARMS DIVISION,	) Illinois
)
<i>Plaintiff,</i>)
)
vs.	) Civil Action
	) No. 83-4072
SPRINGFIELD ARMORY, INC.,)
ROCK ISLAND ARMORY, INC., and)
GREEN RIVER ARMORY, INC.,)
)
<i>Defendants.</i>)

ORDER FOR CONSOLIDATION

This matter coming before the Court pursuant to a Motion for Consolidation filed in the above causes by CHARLES R. CHRISTIANSON and INTERNATIONAL TRADE SERV-

ICES, INC., and the Court being advised, hereby allows said motion and Orders that Civil Action No. 84-4056 and Civil Action No. 83-4072 are hereby consolidated for discovery purposes and for trial in accordance with Rule 42(a) of the Federal Rules of Civil Procedure.

Dated this /s/ 27th day of /s/ June, 1984.

/s/ Robert D. Morgan
United States District Judge

ENTRY FROM DISTRICT COURT DOCKET SHEETS

NR	Charles R. Christianson, et al vs. Colt	84-4056
	Industries Operating Corp.	

1984

Sept. 5

Consent Judgment filed and entered in Case No. 83-4072. That case is now dismissed. This case, No. 84-4056 is still pending. Final Pre-Tr. Conf. set for Thur. Oct. 11 and Jury Trial set for Wed. Nov. 7, 1984 are still set for those dates.

- * -

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)	
INTERNATIONAL TRADE)	
SERVICES, INC., a Massachusetts)	
corporation,)	
)	
<i>Plaintiffs,</i>	)	Consolidated
	)	Civil Action
v.	)	Nos. 84-4056
	)	and 83-4072
)	
COLT INDUSTRIES OPERATING)	
CORP., a Delaware)	
corporation)	
)	
<i>Defendant.</i>)	

COUNT II OF COMPLAINT

1. This Count is instituted against the above-named defendant and is predicated upon defendant's tortious interference with business relationships and expectancies of plaintiffs.

2 - 21. Plaintiffs repeat and reallege paragraphs 2 through 21 of Count I of the complaint.

22. Colt had a valid business relationship and expectancy to do business with Casting Engineers of Illinois to the end that Casting Engineers would supply M-16 parts to ITS for sale to other customers using tooling that ITS had previously purchased.

23. Colt had knowledge of this relationship and intentionally interfered with it by causing Casting Engineers to terminate its relationship in 1983 with ITS and to thereafter refuse to supply it with any parts for resale to customers.

24. Additionally, Colt urged customers of ITS not to do

business with ITS with respect to M-16 parts, having knowledge of a business relationship or expectancy with these customers.

25. The actions of Colt in interfering with the relationship between plaintiffs and Casting Engineers and with plaintiff's potential customers was intentional and resulted in damage to ITS, in that ITS was forced out of business and Christianson was prevented from earning a living as its president and chief operating officer, which business was his chosen profession.

26. As a result of defendant's intentional interference, ITS and Christianson have been damaged in the approximate amount of \$7,700,000.

WHEREFORE, plaintiffs pray for the following:

1. That they be awarded compensatory damages in the approximate amount of \$7,700,000;

2. That they be awarded punitive damages in the amount of ten million dollars;

3. That the court award such other and further relief as may be deemed just and proper.

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES,
INC.,
a Massachusetts corporation,
Plaintiffs

By: /S/ Stuart R. Lefstein

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and

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Attorneys for Plaintiffs

**IN THE UNITED STATES DISTRICT COURT
 FOR THE CENTRAL DISTRICT OF ILLINOIS
 ROCK ISLAND DIVISION**

CHARLES S. [sic.] CHRISTIANSON)	
and INTERNATIONAL TRADE)	
SERVICES, INC.)	
)	
<i>Plaintiff,</i>)	
	)	Civil Action
v.	)	No. 84-4056
)	
COLT INDUSTRIES OPERATING)	
CORP.)	
)	
<i>Defendant.</i>)	

**ANSWER AND COUNTERCLAIMS
 TO COUNT II OF THE AMENDED COMPLAINT**

Defendant Colt Industries Operating Corp. ("Colt"), by its attorneys Bozeman, Neighbour, Patton & Noe, Parker Auspitz Neesemann & Delehanty P.C., and William Brinks Olds Hofer Gilson & Lione Ltd., for its answer to the correspondingly numbered paragraphs of Count II of the amended complaint of plaintiffs Charles S. Christianson ("Christianson") and International Trade Services, Inc. ("ITS"), avers:

1. Denies.
2. - 21. Repeats and realleges its prior responses to paragraphs 2 through 21 of Count I of the complaint.
22. - 26. Denies.

Affirmative Defenses and Counterclaims

27. Repeats and realleges the affirmative defenses and counterclaims set forth in Colt's Answer and Counterclaims served June 4, 1984.

Eighth Affirmative Defense

28. All actions by Colt complained of by plaintiffs were attempts by Colt to state facts, answer inquiries, and to assert and protect in good faith a legally protectible interest.

WHEREFORE, Colt demands judgment against plaintiffs dismissing the amended complaint and for all the relief demanded in Colt's Answer and Counterclaims served June 4, 1984.

COLT INDUSTRIES OPERATING
CORP,
Defendant

by /S/ Anthony M. Radice
for PARKER AUSPITZ NEESEMAN
& DELEHANTY P.C.

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- and -

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**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)
INTERNATIONAL TRADE)
SERVICES INC., a Massachusetts)
corporation,)

Plaintiff,

v.

COLT INDUSTRIES OPERATING)
CORP, a Delaware)
corporation,)

Defendant.

) Consolidated
) Civil Action
) Nos. 84-4056
) and 83-4072

MOTION FOR SUMMARY JUDGMENT

Pursuant to Rule 56 of the Federal Rules of Civil Procedure plaintiffs move for summary judgment with respect to particular matters as described below on the following grounds:

1. As to the matters described, there is no genuine issue as to any material fact and plaintiffs are entitled with respect to said matters to judgment as a matter of law.

2. Basic and fundamental to the subject lawsuit is whether or not at any of the times described in the complaint and counterclaims defendant possessed and was entitled to maintain as exclusive proprietary rights its claimed trade secrets with respect to the M-16 rifle and rifle parts. For the reasons advanced in a supporting brief (with an accompanying appendix of documents) filed contemporaneously herewith, none of these trade secrets were valid as a matter of law.

3. Because the evidence is undisputed that defendant successfully interfered with business relationships and expectan-

cies of plaintiffs with others, depriving plaintiffs of these relationships and expectancies, predicated on alleged trade secrets or proprietary rights which were invalid, plaintiffs are entitled to judgment on liability with respect to Count II as a matter of law for unlawfully interfering with these relationships. A separate memorandum with accompanying documents is filed contemporaneously herewith in support of this aspect of the subject motion.

4. The Fifth and Sixth counterclaims of Colt are predicated solely on the validity of the alleged trade secrets of Colt, and since these alleged trade secrets are invalid as a matter of law, no liability exists on these counterclaims as a matter of law, and the same should be dismissed with prejudice.

5. To the extent plaintiffs' claims or defendant's counterclaims may remain unresolved after this motion is decided, plaintiffs request the Court, in accordance with Rule 56(d), of the Federal Rules of Civil Procedure, to determine that Colt's trade secrets are invalid and that plaintiff's claim of invalidity shall be taken as established with respect to all claims and counterclaims to which said issue is material.

WHEREFORE, plaintiffs pray that their motion be allowed.

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES,
INC., a Massachusetts corporation,
Plaintiffs

By: /s/ Stuart R. Lefstein
Stuart R. Lefstein

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and

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Attorneys for Plaintiffs

AFFIDAVIT OF CHARLES R. CHRISTIANSON

Charles R. Christianson, being first duly sworn on oath, states:

1. I am the president of International Trade Services, Inc., a Massachusetts corporation ("ITS").

2. Commencing in the year 1976 I began purchasing parts for M-16 rifles from Casting Engineers of Niles, Illinois. ITS purchased tooling for use by Casting Engineers for the production of these parts. This tooling was paid for by ITS and was constructed by Casting Engineers from drawings which ITS had received from the Government of the Philippines.

3. At the time I commenced purchasing parts from Casting Engineers I believed, based on conversations I had with Colt personnel, including Paul Gubbins, that I had permission from Colt to utilize this tooling. My belief in this regard was confirmed in correspondence from Mr. Gubbins, dated March 11, 1976, to me and in a letter from the president of Casting Engineers dated March 12, 1976, which enclosed a copy of a telegram from Colt to Casting Engineers.

4. Thereafter, and through the year 1983, I continued to purchase M-16 parts for resale to various customers. ITS had no comparable alternative source of supply for M-16 parts because Casting Engineers not only utilized ITS tooling for the preparation of castings, but finished M-16 parts from its own machining line. I was aware of no other company that possessed comparable capabilities as Casting Engineers.

5. While the business of ITS was not solely built on its

relationship with Casting Engineers, this relationship was critical to a financially successful operation of ITS.

6. In September of 1983 I had a pending order with Casting Engineers which that company initially delayed in fulfilling. Ultimately, after sending them a telex demanding shipment (Ex.12), the order was filled. However, in approximately that time frame I was advised by representatives of Casting Engineers that it would no longer fill any orders of ITS for the reason that Colt had demanded that Casting Engineers cease doing business with ITS with respect to M-16 parts, and, in that connection, specifically rejected an order I placed in September 1983. I made notes in the regular course of business of some of these conversations with representatives of Casting Engineers. (Ex.11).

7. ITS had pending orders from customers which, as a result of Casting Engineer's refusal to supply parts, could not be filled, and the customers were so advised. (See copies of some of these orders, Ex.10).

8. Thereafter ITS received orders from customers which could no longer be filled. ITS advised these customers that they could not be filled because of the cutoff of parts from Casting Engineers. Many of these orders were received orally by telephone.

9. Due to the inability to obtain M-16 parts from Casting Engineers, ITS was no longer able to operate on a business like basis and by the end of 1983 was substantially in debt beyond its ability to satisfy the same. In March of 1984, pursuant to a foreclosure instituted against ITS by a bank in Massachusetts, an auction of ITS assets was held. After the auction, ITS ceased doing business, but the company continues to exist as a corporate entity.

10. In addition to the foregoing, Mr. Bruce Lambert of Lone Star Ordnance advised me that his company could no longer purchase any M-16 items from ITS because of correspondence and threats his company had received from Colt.

11. Additionally, representatives of Aerospace Nylok advised that they could no longer supply to me butt stock screws from a drawing that I had submitted to them which I had reverse engineered. Colt took the position that I had not reversed engineered the screw. (See Ex.9).

12. ITS lost business as a result of Aerospace Nylok and Lone Star Ordnance ceasing to do business with ITS.

13. Presently, ITS has a negative net worth and owes substantial sums to creditors.

14. I personally have lost my annual salary that I was receiving from ITS, and that company no longer pays me any salary.

/s/ Charles R. Christianson

Signed and sworn to before me this /s/ 4th day of October, 1984.

/s/ Stuart R. Lefstein
Notary Public

CASTING ENGINEERS

Division of Consolidated Foundries and Mfg. Corp.
2323 N. Bosworth Avenue
Chicago, Illinois 60614
Phone 281-5940 Area Code 312

The Wonderful World of Investment Castings

March 12, 1976

Mr. Charles R. Christianson
President
International Trade Services, Inc.
P.O. Box 1513
Springfield, Massachusetts 01101

Dear Charlie:

Enclosed is a copy of telegram received through Western Union from Colt Industries, Colt's Firearms Division, sent by Mr. T.J.

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Rush, Manager of Purchasing stating that Casting Engineers will be permitted to supply casting for the M-16 program to International Trade Services, Inc.

Effective this date, I have initiated steps to release to production the entire project covered by your purchase order to manufacture M-16 components as per your purchase order.

Trusting there will not be any more legal confusion on this project, I remain

Very truly yours,

CASTING ENGINEERS

/S/ John C. Murar
John C. Murar
President

JCM/sja
enclosure

CC: Mr. M. White/Colt
Mr. T. MacDonough/Colt
Mr. R. O'Drobinak/Consolidated Foundries & Mfg. Corp.
T. Nord
R. Burke
J. Cardaras
D. Murar
J. Przybocki
[last name Unknown]

WIRE TAKEN OVER PHONE FROM WESTERN UNION

3/11/76 4:05pm/sja

To: John Murar
Casting Engineers

You may supply M-16 castings to International Trade Services

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Inc. provided parts are not ordered against Colt drawings and Colt tooling is not utilized.

FROM: T. J. Rush
Manager Purchasing
Colt's Firearms
Hartford, Connecticut

sja

COLT INDUSTRIES Firearms Division
Charter Oak Boulevard
West Hartford, Connecticut 06101
203/236-0651

Paul G. Gubbins
General Counsel

March 11, 1976

International Trade Services, Inc.
Clinton Street Extension
Post Office Box 1513
Springfield, Mass. 01101

ATT: Mr. Charles R. Christianson, President

SUBJECT: PHILIPPINE ORDER FOR CASTINGS,
FORGINGS AND EXTRUSIONS

Gentlemen:

This is to confirm my meeting yesterday with Mr. Christianson and Mr. Bogoff.

Through that meeting and through research of our files and questioning of our representatives, the following facts appear to apply to this situation:

Your company has discussed with the Philipping Government, from time to time, various possible aspects of doing business with them. They have told you that they have the right to purchase from sources other than Colt, castings, forgings and extrusions to be used in the manufacture of M16 rifles. You

have told us that they have made this representation to you in writing and, in effect, have agreed in writing to hold you harmless from any claim by Colt that you have no right to furnish such items to them. You stated to me that you have contracted with certain suppliers to furnish these items to you for sale to the Philippine Government; that two of the suppliers are Martin Marietta and Casting Engineers, Inc., who are also suppliers of these items to Colt. You stated that both Martin Marietta and Casting Engineers, Inc. contracted Colt representatives upon your offering purchase orders to them, and were told by Colt representatives that so long as they did not use Colt-furnished tooling or Colt-furnished drawings or specifications, Colt could have no objection to their furnishing these items to you. You have stated to us, and those companies have stated to us, that they are using new tooling not obtained from Colt and drawings and specifications obtained, not from Colt, but from the Government.

Colt representatives had a meeting in Hartford in November of 1974 with representatives of the Government of the Philippines and with representatives of Elitool, the private Philippine corporation which is making the M16 rifles for the Philippine Government. At the meeting, it was apparently agreed that the Government had the right to purchase subject castings, forgings and extrusions from suppliers other than Colt. Several of the Colt representatives present at that meeting remember that the basis for this agreement was that the representatives of the Philippine Government stated that there was or would be capacity in the Philippines for the production of these items, and that it would be politically and economically wise for them to obtain such items from inside their own country. We believe that it was mentioned that Reynolds was building or expanding a plant in the Philippines which would have such capabilities and capacity. The written minutes of such meeting do not, however, mention this background.

The foregoing is a question we intend to take up with the Government.

As to the existing situation, however, where you have entered

into binding contracts with Martin Marietta and Castings Engineers, Inc., and have expended monies for tooling to be used other than Colt-furnished tooling, we have agreed that upon an "ad hoc" basis, we will and have advised these two companies that we will not object to their fulfilling their contracts with you. This is not to be deemed a waiver on our part as to any rights -- proprietary, contractual or otherwise -- we may have as to any future situations of this kind, and to the extent that this is a waiver of our rights as to the existing contracts you have with those suppliers, it is to be strictly limited to subject contracts.

We trust that this clears up, for at least the time being, the present problem which was the subject of our meeting.

Yours very truly,

/S/ Paul A. Gubbins

Paul G. Gubbins

PGG/jcc

cc: C.E. Warner

H.P. Stone

E.T. Reardon

Merritt White

Terry Rush

W.D. Ford

COLT INDUSTRIES

Firearms Division

P.O. Box 1868

Hartford, Connecticut 06102

203/236-6311

April 12, 1983

Casting Engineers

5701 West Touhy Avenue

Niles, IL 60648

Attn: Mr. Donald Peluso

Dear Mr. Peluso,

Your concern, as relayed by R. Bruneau, regarding the

JA-66

implications of your current production of M16 Hammers for International Trade Services has been forwarded to our legal counsel. As advised in our letter to you dated January 26, 1983, attached, any production of M16 parts for other than the U.S. Government or Colt is in violation of our proprietary rights in connection with the manufacture of the M16. We request your assistance and cooperation in terminating all third party solicitations or production orders in your possession.

As expressed in your conversation with R. Bruneau on March 30, 1983, it is my understanding that Casting Engineers does not intend to jeopardize its long-standing relationship or future business with Colt. We accept and appreciate your intentions. Please provide us, within 10 days, written confirmation that you have ceased and desisted all production and shipments and that you will refrain from any future shipments of M16 components to parties other than Colt or the U.S. Government.

Very truly yours,

/S/ H.P. Stone
H.P. Stone
V.P. Military Operation

HPS/p

cc: P. Gubbins, General Counsel
R. J. Bruneau

CASTING ENGINEERS

Division of Consolidated Foundries and Mfg. Corp.
5701 W. Touhy Avenue
Niles, IL 60648
647-7979 Area Code 312

The Wonderful World of Investment Castings

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May 16, 1983

Mr. H.P. Stone
Vice President, Military Operations
Colt Industries
Colt's Firearms Division
150 Huyshope Avenue
Hartford, Connecticut 06102

Dear Mr. Stone:

Please be advised that Casting Engineers is in compliance with your letters of May 4, 1983 and April 12, 1983 requesting that Casting Engineers cease and desist all production of M-16 components to any source other than Colt Industries or the U.S. Government.

Further we will not utilize any Colt or Government owned tooling to produce any components for any "third party" unless authorized in writing by either Colt or the U.S. Government.

Very truly yours,

CASTING ENGINEERS

/S/ D C Peluso
Donald C. Peluso
President

DCP/sjh

(Written Notes)

9/16/83

Called Casting Engrs. (Mr. Tony Nord) at approx 2:30 PM.

Wanted to place order PO# 11365 for
5000 Hammers
2000 Triggers
5000 Bolt Catches
2000 Selectors

Advised by Tony Nord that Casting Engrs. could not accept Orders based on letter from Colt. Tony put Dennis Coughman

on telephone. Explained how we had been buying for years to dwgs. other than Colts.

Coughman to review file and advise position of Casting Engineers.

Tony stated that matl. due us on prior order (1500 bolt Catch & 1115 Hammers) would not be held up.

PARKER AUSPITZ NEESEMAN & DELEHANTY P.C.
415 Madison Avenue
New York, New York 10017
(212) 355-4415

April 10, 1984

Mr. Bruce Lambert
Lone Star Ordnance
P. O. Box 29404
San Antonio, Texas 78229

Dear Mr. Lambert:

I would like to clarify some points raised in your March 7, 1984, letter, as well as your December 30, 1983, letter to Mr. Stone, which has been referred to me.

Enclosed is a copy of Colt's federal registration for "AR-15." "M16" is not federally registered, nor did I state it was. It is a common law mark associated with Colt and a representation of quality and designation of origin under the federal Lanham Act. "M16" means the rifle and parts are manufactured by or under license from Colt and accepted by the United States Army as its standard rifle, which meets or exceeds all of the military specifications, including government specified inspection and testing.

You raise the question of "reverse engineering." In theory, "reverse-engineering" may not infringe Colt's rights, provided, among other things, that the designer legitimately "reverse-engineers" parts that do not infringe any unexpired Colt patents, using information derived solely from his analysis of the

parts and not Colt or Colt-derived proprietary information. In practice, however, Colt and others who have considered the problem, in that the resulting parts would not in fact be equivalent to and interchangeable with Colt parts. A part that does not carry an assurance of interchangeability with existing "M16" parts should not in any circumstances be designated, labeled, or advertised as an "M16" part.

I would also like to clarify what may be a misunderstanding about what you refer to as "the right to re-sell parts that are available in the open market from legitimate sources." We would not dispute your statement as such, but point out two crucial questions: What is a legitimate source, and how are re-sold parts being labeled and advertised? We do not as yet know the source of the parts you are selling, and one of the purposes of my letter was to inquire about your sources and to put you on notice of one flagrantly illegitimate source of which we have become aware; Charles Christianson and his International Trade Services company. Foreign licensees of Colt are also forbidden by contract as well as by United States laws and regulations to make such sales.

In fact, the only legitimate source of "M16" parts is Colt, inasmuch as the United States Government, Colt's only current licensee, is forbidden by its license from selling "M16" rifles or parts commercially and by its own regulations from selling usable surplus parts; and suppliers of Colt and the Government are contractually precluded from selling parts made with Colt proprietary data, as are foreign licensees of Colt. If you are selling used or reconditioned "M16" parts, then it is false or deceptive to designate, label or advertise them as though they were new.

Because of your specific inquiry, I advise you that Colt is the owner by assignment of the following unexpired United States Letters Patent relating to certain features of Colt's "M16" rifles: No. 3,366,011 (Buffer Assembly) issued January 30, 1968; No. 3,618,2 (Buttstock Assembly) issued November 9, 1971; No. 3,440,751 (Magazine) issued April 29, 1969; and No. 3,619,929 (Magazine) issued November 16, 1971; and No.

3,348,328 (Adjustable Buttstock Assembly) issued October 24, 1967.

If your letters were written in good faith ad to avoid potential litigation, as I assume they were, then I would urge you to write or call me about the sources of the parts you have been selling and to ensure that your future sales and advertising do not violate Colt's rights.

Very truly yours,

/S/ Kim J. Landsman
Kim J. Landsman

KJL:mp

PARKER AUSPITZ NEESEMAN & DELEHANTY P.C.
415 Madison Avenue
New York, New York 10017
(212) 355-4415

September 14, 1984

Mr. Bruce Lambert
Lone Star Ordnance
P. O. Box 29404
San Antonio, Texas 78229

Dear Mr. Lambert:

I appreciate the time and thought put into your June 6, 1984, letter, as well as your confirmation that Lone Star will change its advertising to avoid the problems I have previously raised. I also apologize for the length of time taken to respond. Although I hope that there will be no need for continued lengthy correspondence, several points raised in your letter deserve a response.

The authority for my statement as to the meaning of "M16" consists of caselaw under the Lanham Act. The origin of a term for a product, or even a nickname, is not determinative of whether the term may be considered a trademark. What matters is whether the source of the product has adopted the term

and whether that term has become associated with a single source. Thus, that "M16" is a designation that came from the Army is not determinative; what is determinative is that Colt adopted and has advertised that designation, and that it has come to be associated with one source: Colt. You may also wish to know that the Final Judgment in the Springfield Armory litigation enjoins those defendants from "using the designation 'M16' other than to refer to rifles or parts made by Colt or pursuant to its licenses and made to Colt or U.S. Government specifications." A copy of the judgment is enclosed.

I also enclose, per your request, a copy of the U.S. Government's demilitarization manual. The Government is also prohibited by its license agreement with Colt, by which it obtained the ability to have "M16" parts made for it, from selling "M16" parts commercially. We appreciate your information that the Government has not always complied with its demilitarization regulations and license agreement and intend to pursue the problem with the Government. Nevertheless, whether or not there is a legal barrier to your buying Government surplus, you are still obliged not to mislead the public about the source or quality of the parts obtained -- *e.g.*, used or salvaged parts should not be advertised as though they were new. Note, in this respect, paragraph 2(h) of the enclosed Consent Judgment.

As to your comments about reverse engineering, you have greatly oversimplified the problem in stating that it can be done with a microcomputer, good measuring instruments, and a cheap computer program. The most sophisticated computer's product is no better than the information put in and the program used to evaluate it. Whatever information is placed into the computer from the standpoint of raw data such as tolerances and dimensions can only be made meaningful if properly oriented by the use of baselines, datums, basic dimensions, etc. Much of this, beyond a very rudimentary level, would entail a very sophisticated set of software that would have to be written specifically for this task, and would be nearly impossible without knowledge of currently used information from Colt drawings.

As to the ability you claim to be able to establish tolerances from measuring ten parts, all that measuring ten parts could possibly give you is a projected tolerance range of those parts, not the acceptable tolerance spread necessary for all such parts. You beg the question by speaking of "evaluating a sufficient number of representative parts." How would you know whether any specific ten parts you were measuring were representative? You would not in fact know whether any given parts were made consecutively yesterday or over a span of many years. Nor would you know whether one or more of the parts fell outside the tolerance band if, for example, they were accepted on waiver, or whether the dimensions and tolerance spread measured were acceptable to the mating sets of tolerances in another sub-assembly or assembly.

Consider, for example, a dimension that is produced by the size of the cutter used, such as the width of a slot. A new cutter is made to the maximum size possible to produce a slot width within tolerance. This new cutter cuts slots to the maximum width end of the tolerance spread and continues to make pieces in this area until the cutter becomes dull, after perhaps 500 pieces, depending upon conditions. The cutter is then reground to sharpen it. It now produces slot widths which all tend to be smaller than those produced with the new cutter. This process of regrinding continues until the cutter is producing slot widths at the minimum width end of the tolerance spread. After that point, it is discarded. It seems very unlikely to me that by measuring the slot width of ten pieces produced with, say, a new cutter you would deduce either the correct basic dimension or the correct tolerance.

Finally, I am not surprised that Mr. Christianson told you that the parts he sold were equal in quality to Colt-made parts, since the evidence is that he illegally bought them from a Colt supplier. We have been told that this activity has ceased.

I hope this letter will lay the issues to rest. If you have any

further questions, please feel free to write or even call.

Very truly yours,

/S/ Kim J. Landsman
Kim J. Landsman

kjl:eg
Enclosures

COLT INDUSTRIES

Firearms Division
P.O. Box 1868
Hartford, Connecticut 06102
203/236-6311

January 26, 1983

Gentlemen:

Many of our suppliers of M16 rifle parts and components have written or telephoned us about inquiries or requests for quotations they have received from third parties seeking to purchase such parts and components. Most suppliers who have contacted us want to know how they should respond to these requests.

The intent of this letter is to state the facts concerning the rights and obligations connected with the manufacture, sale, and purchase of M16 parts and components.

To begin with, when we speak of requests from "third parties", we are referring to any individual, firm, corporation or other entity and any government or any agency of any government, other than Colt or the United States Government. Colt is the only company which has the right to purchase M16 parts and components from suppliers such as you, and the United States Government is the only government authorized, pursuant to a license agreement with Colt, to make such purchases, and even then, can purchase only for the United States Government's own use.

The M16 drawings and/or specifications, if any, which you have in your possession, if properly obtained by you, were obtained

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either from Colt or from the United States Government, and bear printed legends restricting their reproduction, disclosure or use to manufacture for the United States Government or Colt, and requiring their return when their authorized use is completed. Your contracts with Colt and/or the U.S. Government contain similar restrictions and obligations on your part.

In short, you must not use M16 drawings or specifications, nor any technical data or information obtained from or derived from such drawings or specifications, in the manufacture for or sale of M16 parts or components to any such third party. It follows, of course, that you are also not to sell to any such third party any "surplus", "over-runs", or other inventory of such parts or components resulting from a contract you may have had with Colt or the U.S. Government.

A few of the suppliers who have contacted us have advised that a prospective purchaser of such M16 parts or components has supplied or offered to supply drawings and/or specifications for the parts or components they seek to buy. It may be that the U.S. Government and/or Colt restrictive legends have been deleted from such documents. Under these circumstances, there exists one or more improprieties in the possession, use, or chain of possession or use, of such documents. No person, firm, corporation, foreign government or any other entity may properly purchase M16 parts and components from such documents, and neither you nor any of your competitors may affirmatively respond to a request to quote, manufacture or sell from such documents without being involved in such impropriety.

Any or all of the foregoing may be quoted by you in response to any of the requests covered by this letter.

We would appreciate your providing us with details of any and all such requests; we stand ready to answer further questions

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in this area and assist you in dealing with such matters.

Very truly yours,

/s/ Russell J. Bruneau
Russell J. Bruneau
Materials Manager

RJB/p

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

**CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE
SERVICES, INC.,**

Plaintiffs,

vs.

**COLT INDUSTRIES OPERATING
CORP.,**

Defendant.

)
)
)
)
)
) Consolidated
) Civil Action Nos.
) 84-4056 and 83-4072

**PLAINTIFFS' MEMORANDUM IN SUPPORT OF
ITS MOTION FOR SUMMARY JUDGMENT ON
THE UNENFORCEABILITY OF THE ALLEGED
M16 TRADE SECRETS**

KATZ, McANDREWS, DURKEE, BALCH
& LEFSTEIN, P.C.

(Stuart R. Lefstein, of counsel)

200 Plaza Office Building

1705 Second Avenue

P.O. Box 66

Rock Island, Illinois 61201

(309) 788-5661

WOODARD, WEIKART, EMHARDT & NAUGHTON

(John C. McNett and Spiro Bereveskos,
of counsel)

One Indiana Square, Suite 2600

Indianapolis, Indiana 46204

(317) 634-3456

Attorneys for Plaintiffs

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For a patent it must be determined:

- (1) what was the best mode;
- (2) what specifications (trade secrets) are essential in:
 - (a) practicing each invention; and/or
 - (b) meeting the best mode requirement;
- (3) why each individual invention could not be:
 - (a) practiced; and/or
 - (b) the best mode requirement satisfied in the absence of such specifications;
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IN THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF ILLINOIS ROCK ISLAND DIVISION

CHARLES R. CHRISTIANSON and)
INTERNATIONAL TRADE)
SERVICES, INC., a Massachusetts)
corporation,)

Plaintiffs,)

vs.)

) Civil Action

) No. 84-4056

COLT INDUSTRIES OPERATING)
CORP, a Delaware)
corporation,)

Defendant.)

CROSS-MOTION FOR SUMMARY JUDGMENT

Now comes the defendant Colt Industries Operating Corp ("Colt"), by its attorneys Anthony M. Radice, Joseph C. Markowitz, and Kim J. Landsman of the firm Parker Auspitz Neesemann & Delehanty P.C., John V. Patton and James T. Mowen of the firm Bozeman Neighbour Patton & Noe, and Robert L. Harmon of the firm William Brinks Olds Hofer & Gilson & Lione Ltd., and cross moves this Honorable Court for partial summary judgment (1) striking plaintiffs' affirmative defenses to Colt's counterclaims relating to an alleged failure to comply with the patent laws and holding that Colt's proprietary drawings for the "M16" rifle are valid and enforceable trade secrets, and (2) dismissing plaintiffs' proposed Count II of their complaint.

In support of said cross-motion, Colt shows the Court as follows:

Plaintiffs admit that they have used Colt's proprietary drawings, or known copies thereof, to order "M16" parts from Colt's

current and former suppliers of those parts, and that plaintiffs have sold such parts to Colt's former licensees and to other customers in the United States. Plaintiffs assert, however, that Colt may not enforce its trade secrets rights in these drawings for two types of reasons: (1) Colt's trade secrets should have been disclosed as a best mode for making the inventions set forth in patents owned by or assigned to Colt; and (2) the equitable defense of waiver, estoppel, and laches. Only the second type of defense should remain for trial.

Plaintiffs have not made the requisite evidentiary showing for their motion for summary judgment.* Nevertheless, assuming that all of the "undisputed facts" presented in Plaintiffs' Memorandum in Support [sic.] of Its Motion for Summary Judgment on the Unenforceability of the Alleged "M16" Trade Secrets at pages 22 through 43 were indeed evidentiary facts, plaintiffs' legal theory for contending that Colt's trade secrets are unenforceable is fundamentally unsound. Plaintiffs' legal position is without precedent and has been explicitly rejected in numerous cases.

Disclosure of the type of detailed production drawings that are at issue in this case is not required under 35 U.S.C. § 112. Neither interchangeability of parts, nor the particular dimensions and tolerances of Colt's "M16" parts, is *claimed* as an invention in any of the patents. It is the *claimed* invention that is the focus of all substantive inquiry in patent law, and so it is the claimed invention that must be adequately disclosed, in its best mode, to satisfy 35 U.S.C. § 112, not the manufacturing details of a commercial embodiment. It is undisputed that one skilled in the art can make and use the patented invention. Furthermore, the Supreme Court has explicitly rejected plaintiffs' preemption argument and held that patent law does not

* In particular, plaintiffs purport to show for each patent at the time of the application: (1) the inventor intended the invention to be used commercially on the "M16" rifle, (2) the inventor understood the need for interchangeable parts, (3) parts drawings for interchangeable parts existed and were known to the inventor; but the showing fails in many respects. See Point III of Defendant's Memorandum.

preempt state trade secret law or dictate state law remedies for violations of the patent law.

There is no doctrine from patent law or from equity that prevents state enforcement of trade secrets that should have been disclosed in the patent so that, even if plaintiffs were correct in their argument that the production drawings should have been disclosed pursuant to 35 U.S.C. § 112, the only remedy would be to invalidate the patent. Accordingly, Colt is entitled to summary judgment that there is no basis in patent law for not enforcing its trade secrets.

In addition to seeking summary judgment on their best mode argument, plaintiffs have moved to amend their complaint to add a second count for tortious interference with prospective business relationships with others, and have moved for summary judgment on that count. Their motion for summary judgment on that count is premised on the hope that this Court will hold that Colt has no enforceable trade secrets in the "M16" drawings. But regardless of how that issue is resolved, Colt as a matter of law has not tortiously interfered with plaintiffs' business relationships.

The facts presented by plaintiffs show no more than the issuance of cease and desist letters by Colt to its suppliers and to sellers of alleged "M16" parts. The cease and desist letters state facts and legal conclusions, answer inquiries from the relevant third-party, and assert claims held in good faith to patents and trade secrets relating to the "M16" rifle. These acts do not as a matter of law constitute tortious interference. The essential element of malice is nonexistent, and, since patents are presumed valid and neither the patents nor the trade secrets have ever been invalidated, Colt was entitled to enforce them by advising third parties of its rights and the bona fide assertion of claims.

For the foregoing reasons, as well as the reasons set forth in the accompanying memorandum of law, affidavits, and exhibits, Colt's cross motion for partial summary judgment striking plaintiffs' affirmative defenses relating to alleged deficiencies

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in Colt's patent disclosures and for partial summary judgment dismissing the proposed Count II of the complaint which claims tortious interference with prospective business relationships should be granted.

Dated this 12th day of November, 1984.

Colt Industries
Operating Corp.
defendant

by /S/ Kim J. Landsman
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JA-85

**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON, and)
INTERNATIONAL TRADE)
SERVICES, INC.,)
a Massachusetts Corporation,)

Plaintiff,

v.

COLT INDUSTRIES OPERATING)
CORP, a Delaware)
Corporation)

Defendant.

) Civil Action

) No. 84-4056

MEMORANDUM

**IN REPLY TO DEFENDANT'S OPPOSITION
TO PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT
AND IN OPPOSITION TO DEFENDANT'S
CROSS MOTION FOR SUMMARY JUDGMENT**

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**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)	
INTERNATIONAL TRADE)	
SERVICES, INC., a Massachusetts)	
corporation,)	
)	
<i>Plaintiffs,</i>)	
	)	Consolidated
vs.	)	Civil Action
	)	Nos. 84-4056
	)	and 83-4072
COLT INDUSTRIES OPERATING)	
CORP, a Delaware corporation,)	
)	
<i>Defendant.</i>)	

**DEFENDANT'S MOTION FOR
A STAY PENDING APPEAL**

The defendant, Colt Industries Operating Corp, by its attorneys Anthony M. Radice, Joseph C. Markowitz and Kim J. Landsman of Parker Auspitz Neesemann & Delehanty P.C. and John V. Patton and James D. Mowen of Bozeman, Neighbour, Patton & Noe, moves this Honorable Court for an order, pursuant to Fed. R. Civ. P. 62(c) staying the injunctive and declaratory provisions of the Court's final judgment on liability, and staying all further proceedings in this case, pending Colt's appeal pursuant to 28 U.S.C. § 1292(a)(1) from that judgment.

In the event the Court's judgment does not contain any injunctive provisions, Colt moves for certification pursuant to 28 U.S.C. § 1292(b) of the following controlling questions of law for immediate appeal:

(1) whether 35 U.S.C. § 112 requires the disclosure of specific dimensions and tolerances of parts of Colt's "M16" rifle in any of Colt's patent applications;

(2) whether it is appropriate to order the unenforceability and/or disgorgement of Colt's trade secrets as a remedy for a § 112 violation; and

(3) whether the § 112 violation found in this case, in combination with Colt's maintenance of the matters not disclosed as trade secrets, suffice to support a finding that Colt violated the antitrust laws.

Colt moves for a stay pending appeal, and for certification of the above-listed questions if the Court's judgment does not contain an injunction, on the following grounds:

1. Absent a stay pending appeal, Colt will suffer irreparable injury. Plaintiffs' proposed final judgment on liability would declare that "all trade secrets in technical information relating to the M-16" are no longer enforceable, would restrain Colt from enforcing its trade secrets, would mandate disgorgement of Colt's trade secrets at least to the plaintiffs, and would require Colt to remove the proprietary legends from its engineering drawings. Should some or all of these provisions take immediate effect, Colt will very likely have no trade secrets to protect even if it is successful on appeal.

2. The Court's decision is based on novel and difficult questions of law. Therefore, the status quo should be maintained pending the appeal to allow these difficult and controlling questions to receive due consideration by the Court of Appeals.

3. A brief stay pending appeal will cause the plaintiffs no hardship. The plaintiffs are not prevented from carrying on their business during the pendency of the appeal. Their complaint seeks only damages and to enjoin Colt from interfering in their business in the future. If Colt is unsuccessful on appeal, these remedies will still be available.

4. Further proceedings in this case should be stayed pending appeal so as to conserve the parties' and the Court's resources. The decision by the Court of Appeals could well affect plaintiffs' entitlement to damages, thereby making a trial on damages unnecessary, or limiting the trial's scope.

5. If the Court's judgment is not to contain any injunctive provisions, Colt requests certification of the questions listed above pursuant to 28 U.S.C. § 1292(b). These questions controlled the Court's decision on liability.

They involve novel and difficult areas of the law as to which there is substantial ground for difference of opinion. An immediate appeal from the Court's judgment will advance this litigation because it will enable the parties to obtain a definitive ruling on these difficult issues prior to expending time, effort and expense in further pre-trial proceedings and in a trial on damages.

6. In the event the Court decides to deny this motion for a stay pending appeal, Colt requests a stay of 20 days to permit an application for a stay to be made to the Court of Appeals pursuant to Fed. R. App. P. 8(a).

7. For the foregoing reasons, and for the reasons set forth in defendant's accompanying memorandum of law and the affidavit of Ronald Stilwell, defendant requests a stay pursuant to Rule 62(c) of the Federal Rules of Civil Procedure of the injunctive and declaratory provisions of the Court's final judgment pending Colt's appeal from that judgment. If the final judgment is not to contain any injunctive provisions, defendant requests certification of the judgment pursuant to 28 U.S.C. § 1292(b).

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**IN THE UNITED STATES DISTRICT COURT
FOR THE CENTRAL DISTRICT OF ILLINOIS
ROCK ISLAND DIVISION**

CHARLES R. CHRISTIANSON and)	
INTERNATIONAL TRADE	)	Consolidated
SERVICES, INC., a Massachusetts	)	Civil Actions
corporation,	)	Nos. 84-4056 and
	)	83-4072
<i>Plaintiffs,</i>)	
)	
vs.	)	AFFIDAVIT
	)	OF RONALD
	)	E. STILWELL
COLT INDUSTRIES OPERATING)	
CORP, a Delaware)	
corporation,)	
)	
<i>Defendant.</i>)	
STATE OF CONNECTICUT)	
	:	ss.:
COUNTY OF HARTFORD)	

Ronald E. Stilwell, being duly sworn, deposes and says:

1. I am Vice President of Colt Industries Operating Corp, Firearms Division. I make this affidavit in support of Colt's motion for a stay pending appeal.

2. I have reviewed plaintiffs' proposed final judgment on liability submitted pursuant to the Court's decision and order entered May 24, 1985. If any of the declaratory or injunctive provisions of plaintiffs' proposed final judgment were to take immediate effect, Colt would suffer a catastrophic and probably irretrievable loss of its secret technical data used in the manufacture of "M16" rifles.

Colt's Trade Secrets

3. Colt's trade secrets relating to the "M16" rifle are the

product of years of continuous engineering refinements. Colt's engineers have performed numerous tolerance studies to ensure that all parts of the "M16" rifle function properly, and, based on those studies, set the dimensions and tolerance extremes for each part. Colt's engineers have chosen materials for each part that meet the specified design criteria, and have selected processes (such as heat and chemical treatment, milling, forging, stamping, molding) to minimize any changes in dimensional characteristics that may occur during use. Colt has also designed specialized tooling for manufacturing the parts.

4. The results of all this work are contained in hundreds of thousands of pages of detailed engineering drawings, specification sheets, studies, and tests.¹ This material has been continually revised as changes are adopted for various parts (*e.g.*, the buttstock of the "M16A2" is made of a different material than that of the "M16A1," the barrel is heavier, and the hand-guard is round instead of triangular). Experience with the product has led to further refinement and improvements. While parts manufactured today are still interchangeable with those made for "M16" rifles twenty years ago, the specifications for today's parts have in many, many cases undergone refinements. The drawings used today are thus not the same as those originally developed by Colt. These drawings and other technical data represent Colt's huge investment in the "M16" rifle.

5. Colt maintains the secrecy of this material by a variety of measures. Colt places proprietary legends on its drawings stating that all information therein is owned by Colt, and shall not be disclosed to third parties. Colt's contracts with its

¹ The extent of these files can be measured by the document production in the *Springfield* litigation, with which this case was consolidated. In response to the Springfield defendants' demand for production of all trade secrets pertaining to the "M16" rifle, Colt produced approximately 500 boxes and file drawers of documents.

licensees and suppliers permit them to use Colt's drawings only within the scope of their contracts, and prohibit them from disclosing this information to third parties. Colt forbids its employees, even after their employment ends, from using or disclosing any of the confidential information to which they had access while in Colt's employ. In the absence of such measures, the value of Colt's extensive engineering work would be lost.

Colt Would Be Irreparably Injured Without A Stay Pending Appeal

6. Plaintiffs' proposed final judgment would deprive Colt of these protections and enforcement mechanisms, and would appear to put all of Colt's drawings and other data relating to "M16" rifle development into the public domain. Paragraphs 8 and 9 of the proposed judgment appear to require Colt to remove the legends and restrictions that are its means of protecting against dissemination of the drawings and technical data being used by Colt's suppliers and licensees. Paragraph 7 would seem to give plaintiffs access to any of Colt's trade secrets not already in their possession. Paragraph 6 enjoins Colt in general terms from seeking to enforce its trade secrets or from otherwise interfering with plaintiffs' business, and would thus appear to give the plaintiffs the freedom to disseminate Colt's technical data.

7. The result would be that much if not all of this material would become public in a very short period of time; the tremendous investment Colt has made developing this material would be lost; and Colt's right to appeal would be rendered meaningless. Once Colt's trade secrets are no longer secret, Colt would, as a practical matter, lose much of the benefits of its vast engineering data, even if the Court of Appeals subsequently decides that some or all of this material may still be maintained as a trade secret.

8. Colt is involved in continuous dealings with hundreds of suppliers of "M16" rifle parts. These suppliers have in their possession copies of the same product drawings and other technical data at issue. The task of removing proprietary leg-

ends alone would be enormous, involving the physical mutilation of many thousands of pages of documents, located at many different facilities. More importantly, once the legends and restrictions are removed, it would be virtually impossible to replace them, should Colt prevail in whole or in part on appeal. Colt should not be required to assume these obligations before the Court of Appeals has had the opportunity to consider whether Colt retains any measure of protection for its trade secrets. Nor should Colt's suppliers be encouraged, during the pendency of the appeal, to use or disclose this information to or for the benefit of third parties.

9. Colt is engaged in attempts to prevent its former licensees, the governments of Singapore, Philippines and Korea, from using or disseminating engineering drawings and other technical data whose secrecy each of those licensees contractually agreed to maintain. If the Court's ruling is not stayed, Colt may be unable to prevent its licensees from destroying the confidentiality of those materials. Colt's current licensees, the governments of the United States and of Canada, are under similar obligations. Their release of Colt's trade secrets would pose the same threat.

10. For these reasons, as well as for the reasons stated in the accompanying memorandum of law, we ask that the Court stay its final judgment on liability pending Colt's appeal from that final judgment, by reason of the irreparable and irretrievable harm Colt would suffer should the judgment take immediate effect.

/S/ Ronald E. Stilwell
Ronald E. Stilwell

Sworn to before me this
/S/ 3rd day of July, 1985

[signature unknown]

Notary Public

My Commission Expires /S/ 4-1-87

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF ILLINOIS**

CHARLES R. CHRISTIANSON and	)	FILED
INTERNATIONAL TRADE	)	JUL 19 1985
SERVICES, INC., a Massachusetts	)	JOHN M. WATERS,
corporation,	)	Clerk
	)	U. S. DISTRICT
	)	COURT
<i>Plaintiffs,</i>	)	CENTRAL
	)	DISTRICT
v.	)	OF ILLINOIS
)	
	)	Consolidated
	)	Civil Action
	)	Nos. No. 84-4056
COLT INDUSTRIES OPERATING	)	and 83-4072
CORP., a Delaware)	
corporation,)	
)	
<i>Defendant.</i>)	

ORDER FOR A STAY PENDING APPEAL

The matter coming before the court pursuant to defendant's motion for a stay pending appeal, and the court being advised, and the court having found that Colt could be irreparably injured without a stay, that Colt has raised serious questions on the merits for appellate review, and that the plaintiffs will not be appreciably harmed by a stay; the court hereby allows said motion, and

ORDERS that the court's final judgment on liability, entered on July 19, 1985, and all further proceedings in this action, be stayed pursuant to Fed. R. Civ. P. 62(c) pending the outcome of Colt's appeal from that judgment.

In the event that the defendant fails to take an appeal from the court's final judgment on liability, or fails diligently to

prosecute said appeal, plaintiffs may apply to the court for relief from this order.

/S/ Robert D. Morgan
Robert D. Morgan
United States District Judge

Entered: /S/ July 19, 1985

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

85 - 2644

CHARLES R. CHRISTIANSON	)	Appeal from United
and INTERNATIONAL	)	States District Court
TRADE SERVICES, INC.,	)	for the Central
	)	District of
<i>Appellees,</i>	)	Illinois, Rock
	)	Island Division
v.)	
	)	No. 84-4056
COLT INDUSTRIES OPERATING)	
CORP.,	)	Hon. Robert D. Morgan
<i>Appellant.</i>	)	District Judge

MOTION FOR AN EXPEDITED HEARING

Appellant Colt Industries Operating Corp ("Colt") moves for an expedited hearing on this appeal. The reasons for this request are as follows:

1. Colt is filing its opening brief nearly a month early. Colt's brief is not due until October 4, 1985, but is being served on September 6, 1985 so that it can be filed on September 9, 1985. Colt requests that appellees' time to submit their brief in opposition be similarly limited, to thirty days instead of forty, making their brief due on October 9, 1985, and Colt's reply brief due on October 23, 1985. Colt further requests that the case be scheduled for argument in November if possible.

2. Although appellees have opposed Colt's suggestion that the time for serving their own brief be shortened, they agree that an early date for a hearing of this appeal would be desirable. In their reply brief in support of their motion to transfer, appellees contend that Colt's alleged "monopolistic and preda-

tory practices" have a "devastating effect" on them, and that they therefore "also desire an earlier date for hearing." (p. 11) Similarly, the decision below, even though stayed on appeal, has potentially devastating consequences for Colt. The decision invalidates nine Colt patents and orders the disgorgement of all Colt's trade secrets related to the "M16" rifle. In reliance on the district court's interlocutory decision, Colt's suppliers, licensees or competitors may act during the pendency of this appeal so as to further threaten Colt's trade secret rights.

3. In addition, there are two pending cases between Colt and its foreign licensees whose outcomes may be affected by the district court's decision or by this appeal. Thus, the only way Colt can be assured of the continued ability to protect its trade secret rights, assuming this Court upholds those rights, is through the prompt prosecution of this appeal.

4. Certainly, nothing in the appellees' most recent brief in support of their motion for a transfer suggests any reasons for delay. Even if this Court were to decide that the appeal should be heard by the Seventh Circuit, the appeal should still be briefed expeditiously. That conclusion is not likely, however, since appellees concede in their most recent brief that "the § 112 issue . . . is the focus of this case." (Reply brief, p. 2.) Appellees implicitly concede that the district court could not have found trade secret invalidity or antitrust liability without first finding that Colt's patent disclosures were inadequate under 35 U.S.C. § 112. Since all of plaintiffs' claims were directly based on a claim arising under the patent laws, and since the § 112 issue is the heart of this appeal as well, appellees' motion to transfer should not detain this Court. This appeal should be heard in this Court and it should be heard expeditiously.

For the foregoing reasons, Colt requests that appellees' time to submit their brief in opposition be shortened from forty days to thirty days and that the case be set down for argument, if possible, in November 1985.

Dated: New York, New York
September 6, 1985

JA-104

Respectfully submitted,

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JA-105

Docket No. 86-1145

**UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT**

CHARLES R. CHRISTIANSON	)	Appeal from United
and INTERNATIONAL	)	States District Court
TRADE SERVICES, INC.,	)	for the Central
	)	District of Illinois,
<i>Plaintiffs-Appellees,</i>	)	Rock Island Division
)	
v.)	
	)	No. 84-4056
COLT INDUSTRIES OPERATING)	
CORP,	)	Hon. Robert D. Morgan
<i>Defendant-Appellant.</i>	)	District Judge

MOTION TO EXPEDITE THE HEARING

Defendant-Appellant Colt Industries Operating Corp ("Colt") moves to expedite the hearing of this appeal, and requests that the argument of the appeal be scheduled two weeks after its reply brief is filed or in any event before the end of the current term. The grounds for the motion are set forth in the annexed affidavit of Anthony M. Radice.

Dated: New York, New York
February 19, 1986

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Docket No. 86-1145

**UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT**

CHARLES R. CHRISTIANSON)	Appeal from United
and INTERNATIONAL TRADE	)	States District Court
SERVICES, INC.,	)	for the Central
<i>Plaintiffs-Appellees,</i>	)	District of Illinois,
	)	Rock Island Division
v.)	
	)	No. 84-4056
COLT INDUSTRIES)	
OPERATING CORP.,	)	Hon. Robert D. Morgan
<i>Defendant-Appellant.</i>	)	District Judge

AFFIDAVIT

STATE OF NEW YORK)
 : ss.:
COUNTY OF NEW YORK)

Anthony M. Radice, being duly sworn, deposes and says:

1. I am a member of the bar of this Court and of Parker Auspitz Neesemann & Delehanty P.C., attorneys for defendant-appellant Colt Industries Operating Corp ("Colt"). I make this affidavit in support of Colt's motion for an expedited hearing of this appeal.

2. This appeal was filed on August 5, 1985 in the Court of Appeals for the Federal Circuit, where, despite Colt's efforts at expedition, its progress was delayed by approximately four months by that Court's consideration of appellees' motion to transfer for lack of jurisdiction. Colt attempted to expedite the appeal by filing its main brief nearly a month early, on September 9, 1985, and by requesting an expedited schedule. But the Federal Circuit stayed the briefing schedule and then, on December 4, 1985 in an unpublished order it determined that it did not have jurisdiction and transferred the appeal to this

Circuit pursuant to 28 U.S.C. § 1631.¹ The file was finally transmitted from the Federal Circuit on January 24, 1986, and was docketed in the Seventh Circuit on January 30, 1986.

3. Because of the extent and complexity of the patent, antitrust and other issues raised by this appeal, we do not seek to shrink the time for filing the remaining briefs, but only to schedule the argument promptly thereafter. Since Colt filed its main brief last September in the Federal Circuit and only a slightly revised version of that brief in this Circuit on February 6, 1986, appellees should have little difficulty in adhering to the briefing schedule of F.R.A.P Rule 31. Even assuming some modest extensions of time in the filing of appellees' brief or Colt's reply brief, the appeal should still be fully briefed in late March or early April, and ready for argument well before the end of this term.

4. Although the judgment below has been stayed pending this appeal, the published decision alone has potentially devastating consequences for the subject matter of this action, Colt's trade secrets, while this appeal is pending. The district court held nine Colt patents invalid, held unenforceable and ordered disgorged all Colt's trade secrets related to the "M16" rifle, and held Colt's attempts to enforce these rights violative of the antitrust laws. Upon a showing of the disastrous consequences of the district court's injunction, particularly the trade secret disgorgement requirements, Colt obtained a stay pending appeal.²

¹ An appeal transferred pursuant to that statute "shall proceed as if it had been filed in or noticed for the court to which it is transferred on the date upon which it was actually filed in or noticed for the court from which it is transferred." *Id.* Thus, apart from the reasons for expedition set forth herein, for purposes of scheduling the argument, this appeal should proceed as if it had been docketed in the Seventh Circuit on August 5, 1985.

² That showing is set forth in Colt's motion for a stay, supported by the affidavit of Ronald Stillwell. (A-189-202).

5. Even with the protection of a stay, however, Colt may be severely prejudiced during this appeal. In reliance on the district court's interlocutory decision, Colt's present and former suppliers and licensees may act during the pendency of this appeal so as to further threaten Colt's trade secret rights. Pursuant to their respective licenses and contracts with Colt, these entities are in possession of Colt trade secret drawings for "M16" parts, but may no longer observe the contractual restrictions on use and protection of the trade secrets in light of the district court's conclusions. Any such use or dissemination of the trade secrets could destroy their value to Colt and their status as trade secrets.

6. Moreover, the legal requirement and business necessity vigorously to enforce one's trade secrets places Colt on the horns of a dilemma during this appeal. On the one hand, Colt may lose its trade secrets through inaction. On the other hand, under the logic of the district court's decision, attempts to enforce the trade secrets may subject Colt to antitrust liability. This dilemma should not be permitted to last any longer than necessary.

7. Finally, I have been advised that one of Colt's licensees, the U.S. Government, has already used the district court's decision to the prejudice of Colt in negotiations concerning "M16" rifle procurement. In future procurement, the Government has reduced the royalties it would otherwise recognize and pay and, unless Colt obtains a prompt reversal of the decision below, the loss of royalties may not be recoverable.

8. We have advised appellees' attorneys of our intention to request an expedited hearing, and they have no objection to having argument scheduled before the end of this term, so long as argument is scheduled no sooner than two weeks after appellant's reply brief is filed.

9. Wherefore, for the foregoing reasons, Colt requests that argument of this appeal be scheduled as soon as possible two

weeks after our reply brief is filed, or in any event before the end of this term.

/s/ Anthony M. Radice
Anthony M. Radice

Sworn to before me this
/s/ 19th day of February, 1986.

/s/ Heather S. Thomas
Notary Public

**UNITED STATES COURT OF APPEALS
FOR THE SEVENTH CIRCUIT
CHICAGO, ILLINOIS 60604**

February 24, 1986.

By The Court:

CHARLES R. CHRISTIANSON,)	
and INTERNATIONAL TRADE)	
SERVICES, INC.,	)	Appeal from the United
a Massachusetts	)	States District Court for
corporation,	)	the Central District of
<i>Plaintiffs-Appellees,</i>	)	Illinois, Rock Island
	)	Division
No. 86-1145 v.)	
	)	No. 84-C-4056,
COLT INDUSTRIES	)	Hon. Robert D. Morgan,
OPERATING CORPORATION,	)	<i>Judge.</i>
<i>Defendant-Appellant.</i>)	

ORDER

On consideration of the "MOTION TO EXPEDITE THE HEARING" filed by defendant-appellant on February 20, 1986,

IT IS ORDERED that the motion is GRANTED to the extent that oral argument will be heard before the court recesses in June.

In addition, IT IS ORDERED that the briefing schedule set by the court's order of February 13, 1986 is vacated since appellant has elected to file a new brief rather than relying on the brief it filed in the Federal Circuit. The new briefing schedule is as follows:

1. Plaintiffs-appellees shall file their brief on or before March 17, 1986.
2. Defendant-appellant's reply brief, if any, shall be filed on or before March 31, 1986.

In light of the amount of time this appeal has been pending, no extensions of time will be granted.

Note: This Order will not be published in a printed volume because it does not add significantly to the body of law and is not of widespread legal interest. It is a public record. It is not citable as precedent.

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CHARLES R. CHRISTIANSON)	
and INTERNATIONAL TRADE)	
SERVICES, INC., Etc.,)	
<i>Appellee</i>)	
)	
v.	)	Appeal No. 85-2644
)	
COLT INDUSTRIES)	
OPERATING COPR.,)	
<i>Appellant</i>)	

ORDER

On consideration of appellant's motion for an expedited oral argument,

IT IS ORDERED that this appeal is set for hearing at the session which begins at 10:00 a.m. on Monday, October 6, 1986, in Courtroom No. 2 on the fourth floor of the National Courts Building, 717 Madison Place, N.W., Washington, D.C. 20439. The court has allotted 15 minutes for each party for that purpose.

IT IS FURTHER ORDERED that twelve copies of any brief or appendix previously filed in this court or in the U.S.C.A. Seventh Circuit shall be filed on or before September 26, 1986. Counsel may refile any other pertinent materials in the form of a supplemental joint appendix on that same date.

FOR THE COURT

/S/ 9/12/86

/S/ Francis X. Gindhart

cc: Anthony M. Radice, Esq. /S/ Clerk
John C. McNett, Esq.

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

85-2644

CHARLES R. CHRISTIANSON	)	Appeal from United
and INTERNATIONAL TRADE	)	States District Court
SERVICES, INC.,	)	for the Central District
<i>Appellees,</i>	)	of Illinois, Rock Island
	)	Division
)	
v.)	
	)	No. 84-4056
COLT INDUSTRIES OPERATING	)	Hon. Robert D. Morgan
CORP.,	)	District Judge
<i>Appellant.</i>)	

MOTION TO DISMISS

Appellees move to dismiss this action based upon their earlier filed "Appellees' Motion to Transfer to the Court of Appeals for the Seventh Circuit" and "Appellees' Reply to Appellant's Opposition to Appellees' Motion to Transfer"¹ (both hereby incorporated by reference), as well as:

1. This Court entered a Judgment and Mandate to transfer this case to the Seventh Circuit, with accompanying opinion that no basis for jurisdiction could be discerned. That judgment could be considered *res judicata*, was not appealed, and should be adhered to. Because the Seventh Circuit has refused jurisdiction in response to false and misleading representations of Colt to manipulate jurisdiction (see ¶3 and ¶4, *infra*) this case should be dismissed rather than transferred back again to the Seventh Circuit. This Court has the power to dismiss, rather than transfer. See *Bray v. United States*, 785 F.2d 989 (Fed.

¹ See Order Granting Leave to File Brief, Sept. 24, 1985.

Cir. 1986) and *Little River Lumber Co. v. United States*, 7 Cl. Ct. 492 (1985).

2. Contrary to the suggestion by the Seventh Circuit in its jurisdiction opinion, the relief requested in appellees' antitrust complaint can be obtained without reaching the question of federal preemption; thus the well-pleaded complaint rule precludes a finding of Federal Circuit jurisdiction. See *Franchise Tax Board v. Construction Laborers Vacation Trust*, 463 U.S. 1 at 26; 103 S. Ct. 2841 (1983).

3. Colt's 7th Cir. brief falsely states that "the complaint . . . depends entirely on the claim that Colt's patents are invalid under 35 U.S.C. § 112." (p. 4) The Seventh Circuit (presumably misled by Colt's false statements) incorrectly stated (p. 21):

. . . the abuse by the defendant of the patent and trade-secrets law was the *only* basis Christianson asserted in the complaint for the alleged antitrust violation, and the only ground asserted for invalidity of the trade secrets was the withholding of information in contravention of § 112.

However, Colt knew full well that this was not true and had earlier admitted in its Cross-Motion for Summary Judgment:

"Plaintiffs assert, however, that Colt may not enforce its trade secret rights in these drawings for *two* types of reasons: (1) [§112 preemption issue] and (2) *the equitable defense of waiver, estoppel and laches*. [permission issue] *Only the second type of defense should remain for trial.*" (Emphasis added.)

Further inconsistent with Colt's above admission, was Colt's false claim in its jurisdictional brief (p. 13) that the complaint alleged that the patents "were invalid . . . in contravention of . . . §112)." In so doing Colt distorted the language of paragraph 18 since it omitted the introductory words, "Unless such patents were invalid" The actual meaning of paragraph 18, however, was that because the patents had expired, anyone could use them.

4. The Seventh Circuit's statement (pp. 20-21) that the complaint carried an "implication" of a §112 violation because the necessary information "was not available" has no validity because the technology obviously was available to the plaintiffs who had been using it for eight years before Colt put them out of business.

5. In fact, invalidating Colt patents, its alleged trade secrets, or seeking a construction of §112, was not even one of plaintiffs' theories for recovery, let alone its "only" theory. The complaint sought recovery because Colt put plaintiffs out of business by organizing a group boycott, a classic antitrust violation. See ¶21 and ¶22 of Complaint (A-39 — A-47) and cases cited in Brief of Appellees (on merits), p. 46-48. Additionally, either as an independent ground for recovery, or as an aggravation of the antitrust violations, the complaint alleges that Colt unilaterally, revoked its permission previously granted to plaintiffs to deal in M-16 parts. See ¶¶20, 21 & 22 of Complaint. Also see A-1463, A-1464, A-1478 and Brief for Appellees (on merits), p. 47, note 3. The issue of trade secret invalidity under §112 arose only after Colt pleaded its alleged trade secrets as a defense to the antitrust violations (¶114 of Reply to Counterclaims)

6. Moreover, the patent-related issues in this case are solely related to federal preemption of state law. In the absence of a patent infringement claim, the appeal of a state action and its associated preemption issue should be resolved in the regional circuit. *Cable Electric Products, Inc. v. Genmark, Inc.* 770 F.2d 1015, 226 U.S.P.Q. 881 (Fed Cir. 1985). See discussion of "conflict preemption" in *Federal Preemption, Removal Jurisdiction, and the Well-Pleaded Complaint Rule*, 51 U. Chi. L. Rev. 634, at 665. In the antitrust case of *American Cyanamid Co. v. Power Conversion, Inc.*, 175 USPQ 302, companion opinion at 336 N.Y.S. 2d 6, 71 Misc. 2d 213, 175 USPQ 303 (New York Supreme Court, Westchester County 1971, 1972), the *state* court held it had the power to determine validity of a patent (175 USPQ at 303), and dealt with the issue of conflict of trade secret and patent laws involving §112 (175

USPQ at 305-6). Federal Circuit jurisdiction of this case would inappropriately expand §1338 jurisdiction and deprive state courts of jurisdiction which they have historically exercised.

Respectfully submitted,

By /s/ John C. McNett

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FILED

FEB 4 1988

JOSEPH F. SPANIOL, JR.
CLERK

No. 87-499

IN THE

Supreme Court of the United States

October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

vs.

COLT INDUSTRIES OPERATING, CORP.
Respondent.

**On Writ of Certiorari To The United States
Court of Appeals For the Federal Circuit**

PETITIONERS' BRIEF ON THE MERITS

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QUESTIONS PRESENTED FOR REVIEW

1. Whether a U.S. Court of Appeals may rule on the merits of an appeal when it expressly rules that it does not have subject matter jurisdiction pursuant to statute?
2. Did the United States Court of Appeals for the Federal Circuit have jurisdiction of the appeal from the district court judgment entered on July 19, 1985?

THE PARTIES

Petitioners (plaintiffs below) are Charles R. Christianson (Christianson), a Massachusetts resident and citizen, and International Trade Services, Inc. (ITS), a Massachusetts corporation with its principal place of business in Massachusetts. Petitioners had been engaged in the sale of certain M-16 rifle parts. Where the context permits, reference to Christianson shall refer to both plaintiffs.

Respondent (defendant below) is Colt Industries Operating Corp. (Colt), a Delaware Corporation with its principal place of business located in New York. Respondent is involved in the manufacture and sale of M-16 rifles and parts to the U.S. military and others. Respondent's parent is Colt Industries, Inc.

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I. COURTS CREATED BY CONGRESS MAY NOT EXERCISE SUBJECT MATTER JURISDICTION OTHER THAN THAT CONFERRED BY CONGRESS; ACCORDINGLY, THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT ERRED WHEN IT RENDERED A DECISION ON THE MERITS AFTER EXPRESSLY HOLDING IT HAD NO STATUTORY JURISDICTION 13

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No. 87-499

IN THE
Supreme Court of the United States
October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

VS.

COLT INDUSTRIES OPERATING, CORP.
Respondent.

**On Writ of Certiorari To The United States
Court of Appeals For the Federal Circuit**

PETITIONERS' BRIEF ON THE MERITS

OPINIONS BELOW

The Opinion of the Federal Circuit rendered on June 25, 1987 is reported at 822 F.2d 1544 and is reprinted¹ at PA-1.

The Opinion of the United States Court of Appeals for the Seventh Circuit ("Seventh Circuit") rendered on August 19, 1986 is reported at 798 F.2d 1051 and is reprinted at PA-41.

¹ "PA-1" is short for "Petitioner's Appendix Page 1" found in Christianson's Petition for Writ of Certiorari. Similarly, JA-1 is short for "Joint Appendix Page 1," the joint appendix filed concurrently herewith.

The unpublished Opinion and Order of the Federal Circuit rendered on December 4, 1985 and not reported is reprinted at PA-63.

The Judgment on Liability of the United States District Court for the Central District of Illinois was entered on July 19, 1985 and is reported at 613 F.Supp. 330 and is reprinted at PA-67.

The Memorandum Opinion of the the United States District Court for the Central District of Illinois was entered on May 24, 1985 and is reported at 609 F.Supp. at 1174 and is reprinted at PA-73.

SUPREME COURT JURISDICTION

The Judgment of the Federal Circuit was entered on June 25, 1987. The Petition for Writ of Certiorari was timely filed on September 23, 1987, which was within ninety days thereafter (28 U.S.C. § 2101(c); Supreme Court Rules 20.2, 20.4). The Supreme Court has jurisdiction to review the judgment by writ of certiorari pursuant to 28 U.S.C. § 1254(1). The writ was granted on December 14, 1987.

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Sec. 8, Cl. 8 of the Constitution, in part, provides:

The Congress shall have power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Article III, Sec. 1 of the Constitution, in part, provides:

The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.

The Federal Courts Improvement Act. "Jurisdiction of the U.S. Court of Appeals for the Federal Circuit." Title 28 U.S.C. § 1295 is reprinted at PA-101.

Title 28 U.S.C. § 1291 is reprinted at PA-103.

Title 28 U.S.C. § 1338 is reprinted at PA-103.

Title 28 U.S.C. § 1631. "Transfers for Want of Jurisdiction" is reprinted at PA-104.

The Federal Antitrust Laws. Clayton and Sherman Acts. Title 15 U.S.C. §§ 15 and 26 reprinted at PA-105-106, and Title 15 U.S.C. §§ 1 and 2 reprinted at PA-104-105.

Title 35 U.S.C. § 112, reprinted at PA-107, which in pertinent part provides that a patent must:

contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated by the inventor of carrying out his invention.

Title 35 U.S.C. § 154 reprinted at PA-108, which in pertinent part provides that a patent has a "term of seventeen years."

STATEMENT OF THE CASE²

A. The Christianson Case

Christianson and ITS filed suit against Colt on a complaint (JA-7) for damages, injunctive and equitable relief under §§ 4 and 16 of the Clayton Act (15 U.S.C. §§ 15 and 26), upon their allegations that Colt had violated §§ 1 and 2 of the Sherman Act (15 U.S.C. §§ 1 and 2) by driving plaintiffs out of business. The suit was filed on May 14, 1984 in the United States District Court for the Central District of Illinois, Rock Island Division, and it was assigned to Judge Robert D. Morgan and received Docket No. 84-4056 ("Christianson Case") (JA-3). Jurisdiction of the District Court was invoked under 28 U.S.C. § 1332 and

² The facts herein in sections A-F are substantially as set forth in Christianson's original Motion to Transfer to the Court of Appeals for the Seventh Circuit filed in the Federal Circuit.

15 U.S.C. §§ 4, 15 and 26. The complaint did not raise any issues of patent infringement and did not request a declaratory judgment of patent invalidity.

On June 6, Colt filed its answer denying violations and counterclaimed (JA-3, 13), alleging breach of contract, statutory and common law unfair competition, misappropriation and conversion of Colt's property, tortious interference with contractual obligations, violation of common law and federally registered trademark, violation of § 43(a) of the Lanham Act (jurisdiction over which is based under 1338 relating to trademarks), and violation of the Illinois deceptive trade practices act (Ill. Rev. Stat. ch. 121 1/2 § 312). No allegation of patent infringement was made in the counterclaim.

On June 25, 1984, Christianson and ITS filed a reply to counterclaims (JA-3, 35), setting forth defenses, inter alia, referring to 35 U.S.C. § 112.

B. The Springfield Case

At the time of filing the Christianson Case (Docket No. 84-4056), another case, relating to the M-16 rifle, was pending before Judge Morgan in the same Court. That case was originally filed in September of 1983 as *Colt Industries Operating Corp., Firearms Division, v. Springfield Armory, Inc. and Rock Island Armory, Inc.*, D.C.C.D. Ill., Rock Island Div., Docket No. 83-4072 ("Springfield Case"). (PA-74)

In the Springfield case, Colt had claimed patent infringement by Springfield and Rock Island under 35 U.S.C. § 271 with jurisdiction for the patent claim based on 28 U.S.C. § 1338. The Springfield case additionally claimed infringement of federally registered and common law trademarks, false advertising and designation of origin, unfair competition, misappropriation, dilution of distinctive trademarks, and tortious interference with contracts. Colt sought to preliminarily enjoin Springfield and Rock Island from selling M-16 rifles to El Salvador. Neither Christianson or ITS were parties in the Springfield case when it was initially filed. However, Christianson, testified at that hearing as a witness called by Springfield.

The Court granted a preliminary injunction on October 7, 1983 and on October 17, 1983, Springfield and Rock Island appealed to the Court of Appeals for the Federal Circuit (Appeal No. 84-559).

C. Colt Industries Amended the Springfield Case to add Christianson and ITS as Defendants and then Colt Industries Voluntarily Dismissed Christianson and ITS.

On October 24, 1983, Colt filed an amended complaint in the Springfield case (83-4072). The amended complaint additionally added defendants Christianson, ITS, Tool Supply Division, and Green River Armory, Inc. Tool Supply Division was a division of the named defendant, ITS. Christianson, ITS and Tool Supply Division were *not* charged with patent infringement. They were, however, made defendants on many of the other claims, primarily based on alleged trade secret misappropriation and trademark infringement. Green River, Christianson, ITS, and Tool Supply Division were not parties to Springfield's appeal to the Federal Circuit.

In about January of 1984, Colt filed a motion for preliminary injunction against Christianson, ITS, and Tool Supply Division.

On March 20, 1984 the Court of Appeals for the Federal Circuit (Judges Davis, Baldwin and Miller) affirmed the granting of the preliminary injunction against Springfield and Rock Island in an unpublished decision (JA-1).

On April 19, 1984, Judge Morgan denied Colt's Motion for Preliminary Injunction against Christianson, ITS, and Tool Supply Division. The Court then gave Christianson, ITS, and Tool Supply Division 30 days to file an answer to Colt's complaint, and to file counterclaims if they so desired. Before the thirty days expired, and on May 11, 1984, Colt voluntarily dismissed by notice, all of its claims against Christianson, ITS and Tool Supply Division.

D. The Christianson Case and the Springfield Case were Briefly Consolidated for Efficiency in Discovery and Trial.

On May 14, 1984, Christianson and ITS filed the instant complaint as initially explained and then, on June 27, 1984, the District Court consolidated *Colt Industries v. Springfield et al.*, Civil Docket No. 83-4072, with *Christianson and ITS v. Colt Industries*, Civil Docket No. 84-4056 in accordance with Rule 42(a) FRCP for discovery purposes and for trial. (JA-3,4) The cases were not joined--none of the provisions of FRCP Rules 19-25 providing for joinder, or the like, were used.

On July 12, 1984, the District Court set the consolidated cases for final pre-trial conference and a jury trial for October 11, 1984 and November 7, 1984 respectively.

On August 1, 1984 the District Court entered an order, (JA-50) proposed by Colt and stipulated to by Christianson and ITS, providing that all of the discovery taken during the Springfield case could be used by all parties in the Christianson case.

E. The Closing of the Springfield Case Ends Consolidation.

On August 30, 1984, the case of *Colt Industries Operating Corp, Firearms Division v. Springfield Armory, Inc., Rock Island Armory, Inc., and Green River Armory, Inc.*, Civil Action No. 83-4072 and all claims and counterclaims asserted therein were settled on terms contained in a Consent Judgment and an Agreement Ancillary to the Consent Judgment. The Consent Judgment was filed and entered on September 5, 1984 and the Springfield case was dismissed. (JA-4, 51)

F. Christianson Case in the District Court after Springfield's Close.

After the close of the Springfield case, the trial scheduled for November was cancelled on the representation by the parties to civil action 84-4056 (Christianson case), that cross motions for summary judgment would be filed. (PA-75) Christianson

and ITS filed (JA-4) a motion for summary judgment (JA-57) and amended their complaint (JA-52) to include a second count under the common law for intentional interference with business expectancies by Colt and requested actual and punitive damages.

Colt filed (JA-4) a cross motion for summary judgment (JA-81) characterizing Christianson's defenses against Colt's alleged trade secrets as falling into two categories, one relating to 35 U.S.C. § 112 and the other being the equitable defense of waiver, estoppel, and laches. Colt contended that only the second should remain for trial. (JA-82) Colt filed an answer and counterclaims to Count II of the Amended Complaint (JA-55). Since the Counterclaims were identical to the prior alleged counterclaims, no further answers were filed by Christianson or ITS.

Oral Argument was heard on the motions in November of 1984 and additional briefing was submitted. A memorandum decision and order in favor of Christianson on the motions (PA-73) was entered May 24, 1985 in Civil Action 84-4056 (Christianson case).

Christianson proposed a form of the final judgment for liability on account of its antitrust and intentional interference with business expectancies claims, and with regard to two of Colt's counterclaims relating to trade secrets. Colt, in addressing the form of the order, requested that plaintiffs' proposed order be modified to specifically add a statement in the adjudicative part of the final judgment listing 12 of Colt's patents and reciting that because of their failure to comply with § 112, they were invalid from their inception. Christianson and ITS requested that three of the twelve patents be removed from Colt's proposed list, pointing out that three of these patents either had not been addressed earlier or were not necessarily an appropriate basis for the unenforceability of the alleged trade secrets. The Court incorporated the language proposed by Colt as to the nine remaining patents. The final judgment order also provided Christianson and ITS with injunctive relief against Colt. Final Judgment on the issue of

liability of Counts 1 and 2 of plaintiffs' complaint and dismissal of Colt's Fifth and Sixth counterclaims were entered July 19, 1985. (PA-67)

A stay of further proceedings and a stay of certain injunctive provisions of the judgment has been granted pending appeal.

G. Jurisdictional Conflict on Appeal.

Colt appealed the district court's antitrust judgment to the Federal Circuit. (JA-6) Christianson promptly moved to transfer the appeal to the Seventh Circuit, because the Federal Circuit lacked subject matter jurisdiction since his complaint did not "arise under" the patent laws. Colt promptly thereafter filed its opening brief on the merits nearly a month early (JA-106) and moved for expedited treatment (JA-102), including a request to shorten the time for Christianson's response, which was denied in favor of a stay pending resolution of the jurisdictional question. The parties fully briefed the jurisdiction question. The Federal Circuit ruled that it could not discern any basis for its jurisdiction under 28 U.S.C. § 1295 ("Jurisdiction of the U.S. Court of Appeals for the Federal Circuit") (PA-63), and transferred the case, pursuant to 28 U.S.C. § 1631 ("Transfer to Cure Want of Jurisdiction") to the regional circuit which, under 28 U.S.C. § 1291, was the Seventh Circuit. (PA-65) Colt did not seek review by this Court or a rehearing.

The parties briefed and orally argued the merits before the Seventh Circuit. Colt submitted a substitute brief on the merits which included the following "Jurisdictional Summary", not included in its prior Federal Circuit brief, which stated:

Colt originally filed this appeal on August 5, 1985, [footnote omitted] in the Federal Circuit *because the complaint, albeit for antitrust liability, depends entirely on the claim that Colt's patents are invalid under 35 U.S.C. § 112. The theory of plaintiff's complaint is that Colt's failure to disclose its manufacturing specifications and its patent applications deprives Colt of both patent and trade secret protection, and that Colt's enforcement of those trade secrets violates the antitrust laws.* (Emphasis added.)

This position was ultimately accepted by the Seventh Circuit when it stated:

. . . the abuse by the defendant of the patent and trade-secret law was the *only* basis Christianson asserted in the complaint for the alleged antitrust violation, and the *only* ground asserted for invalidity of the trade secrets was the withholding of information in contravention of § 112. (Emphasis added.)

PA-61, 798 F.2d at 1061 (7th Cir.). During oral argument, Judge Eschbach, *sua sponte* raised the jurisdictional question. The Seventh Circuit, without requesting additional briefing on the jurisdiction issue, decided that the Federal Circuit was "clearly wrong" on the appellate jurisdiction issue and ordered the case transferred back, citing 28 U.S.C. § 1631. (PA-51, 798 F.2d 1056-1057 (7th Cir.)) The Seventh Circuit stated that it was relying on the same jurisdictional briefing as before the Federal Circuit. (PA-49, 798 F.2d at 1056).

Back in the Federal Circuit, Christianson moved to dismiss the appeal for want of jurisdiction and on grounds of *res judicata* as to the jurisdiction question. The parties submitted additional briefing on Christianson's motion for dismissal. Oral argument was held before the Federal Circuit on both jurisdiction and merits. The Federal Circuit, after an extensive review of its appellate jurisdiction under 28 U.S.C. § 1295, decided that the Seventh Circuit was "clearly wrong," and that a "monumental misunderstanding of the patent jurisdiction granted" the Federal Circuit had occurred. (PA-10, n.7, PA-2, 822 F.2d at 1551, n.7) It concluded that Congress never intended it to exercise jurisdiction over this type of appeal. (PA-10)

The Federal Circuit determined that it would not be in the "interest of justice" to re-re-transfer the case back to the Seventh Circuit, denied Christianson's motion to dismiss, and declined to seek the assistance of this Court under 28 U.S.C. § 1254(3). (PA-27, 28) Notwithstanding its express determination that it had not been granted jurisdiction, it proceeded to render a decision on the merits, reversing the district court's

summary judgment in favor of Christianson.³ (PA-29-35)

SUMMARY OF ARGUMENT

A. The Federal Circuit erred in reversing the merits of a District Court Judgment After Concluding that Congress had Not Granted it Jurisdiction of the Appeal.

Courts created by Congress may not exercise subject matter jurisdiction beyond that conferred by Congress. Accordingly, the Court of Appeals for the Federal Circuit erred when it rendered a decision on the merits after expressly holding it had no statutory jurisdiction. This Court said in *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368 (1981):

If the appellate court finds that the order from which a party seeks to appeal does not fall within the statute, its inquiry is over. A court lacks discretion to consider the merits of a case over which it is without jurisdiction, . . .

There is no authority for the Federal Circuit's "interest of justice" language to support its decision on the merits. While that language is found in 28 U.S.C. § 1631, nothing in that transfer statute confers jurisdiction on an appellate court which would not have had jurisdiction if a timely appeal had been taken to it. To the contrary, the premise of the statute is precisely the opposite. That is, because a court without jurisdiction necessarily lacks power to decide a case, the statute merely enables transfer to a court with jurisdiction "if it is in the interest of justice" to do so.

B. The Federal Circuit was Correct in its Conclusion that Congress had Not Granted it Jurisdiction of the Appeal.

Jurisdiction of the Federal Circuit, as here relevant, is deter-

³ Christianson's Petition for Writ of Certiorari asserted numerous factual and legal errors in the Federal Circuit's opinion and judgment on the merits, and reference can be made to the District Court's opinions and Christianson's Petition for Writ of Certiorari to determine Christianson's position on the merits, should they become relevant to the jurisdiction issues.

mined from 28 U.S.C. § 1295 as it incorporates by reference the "patent jurisdiction" of 28 U.S.C. § 1338. § 1338 provides for exclusive jurisdiction in Federal court of cases "arising under" the patent laws. That standard has been long used to demarcate jurisdiction between state courts and federal courts in suits involving various patent issues. Many cases involving conflict with federal patent laws are either state court cases or federal cases. A determination of "arising under" the patent laws under § 1338 occurs in the same sense that cases are said to *arise under* federal law for purposes of federal question jurisdiction. The resolution of that demarcation is dependent upon "arising under" jurisdictional doctrines which interpret plaintiff's complaint, such as the "Holmes' creation test," the "well-pleaded complaint" as in *Franchise Tax Bd. v. Laborers Vac. Trust*, 463 U.S. 2, 9 (1983) and the factors considered in *Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. —, 92 L.Ed.2d 650, 106 S.Ct. 3229 (1986).

Christianson's complaint against Colt was based upon causes of action created by the Federal antitrust laws and state tort law. The complaint was brought because Colt organized a group boycott which put Christianson out of business. There was never any issue of patent infringement alleged or pled as between Colt, Christianson and ITS. In fact, most of the relevant patents had expired.

All have conceded that Christianson's cause of action was not created by the patent laws under the Holmes creation test. However, the Federal Circuit and Seventh Circuit were at odds on the application of the "well-pleaded complaint" doctrine. Under that doctrine, for a case to arise under the patent laws the plaintiff's well-pleaded complaint must seek to enforce a right or interest that *necessarily* requires the determination of a substantial issue of federal patent law. Accordingly, even where a federal claim is arguably contained within a cause of action, if the plaintiff may sustain or lose his right to relief for reasons "unrelated" to the federal claim, then the case does not "arise under" federal law. Moreover, under *Merrell Dow, supra*, even if a federal issue is in the complaint the case may still not arise under federal law.

Neither Christianson's antitrust count nor the tortious interference count assert, factually or legally, any rights which necessarily require a resolution of § 112 of the patent laws. The § 112 issue arose in the case, as the Federal Circuit correctly found, as an *argument* against a *defense*. Colt claimed in defense that its effort to enforce trade-secret rights under state law provide a justification for its actions in putting Christianson out of business. Christianson's argument against that defense is that Colt had no right to assert certain of its alleged trade secrets because they should have been disclosed in its patent applications.

Paragraph 18 of the complaint contained the lone reference to § 112, but it neither alleged patent validity nor invalidity, neither compliance nor non-compliance with § 112. It alleged only that the validity of the patents "had been assumed." Moreover, both in the complaint and Christianson's answer to Colt's counterclaim of trade secret violations, Christianson had pled non-patent facts sufficient to rebut Colt's claim that its trade secrets provided justification for its actions. Christianson alleged that he had been given permission to use the alleged trade secrets, and that they were in fact no longer secret because of, for example, *laches*, waiver and consent, and estoppel.

C. Colt's Misstatement of the Facts of Jurisdiction to the Seventh Circuit are Grounds for Dismissal of its Appeal.

After the case was transferred to the Seventh Circuit, Colt filed its merits brief and amended it to include a jurisdictional summary which stated:

Colt originally filed this appeal . . . in the Federal Circuit because the complaint, albeit for antitrust liability, depends *entirely* on the claim that Colt's patents are invalid under 35 U.S.C. § 112. (Emphasis added.)

while knowing full well that such was not the case.

That statement was the precursor of the Seventh Circuit's mistaken view that the abuse by the defendant of the patent

and trade-secret law was the only basis Christianson asserted in the complaint for the alleged antitrust violation, and its mistaken view that the only ground asserted for invalidity of the trade secrets was the withholding of information in contravention of § 112. Colt therefore has significantly contributed to the back-and-forth battering that the parties have so far experienced, and Colt has significantly contributed to the Seventh Circuit's judgment that it had no jurisdiction of the appeal just as surely as if it had filed a formal motion for such a determination.

In view of Colt's representations to the Seventh Circuit, Christianson's motion to dismiss, filed after the Seventh Circuit concluded it had no jurisdiction, should have been granted. Christianson thus requests this Court to direct the Federal Circuit to allow that motion since a further transfer to the Seventh Circuit under 28 U.S.C. § 1631 would only be authorized "if it is in the interest of justice." Colt's conduct precludes such a finding.

ARGUMENT

I. COURTS CREATED BY CONGRESS MAY NOT EXERCISE SUBJECT MATTER JURISDICTION OTHER THAN THAT CONFERRED BY CONGRESS; ACCORDINGLY, THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT ERRED WHEN IT RENDERED A DECISION ON THE MERITS AFTER EXPRESSLY HOLDING IT HAD NO STATUTORY JURISDICTION.

A. A Court without Jurisdiction Cannot Rule on the Merits.

In this case the Court of Appeals for the Federal Circuit expressly held that Congress conferred no subject matter jurisdiction on it to decide the appeal, saying:

This court was correct in its original transfer of this appeal to the Seventh Circuit.

PA-36, 822 F.2d at 1564;

Congress is the *source* of jurisdiction granted federal courts, other than the Supreme Court, . . . Continuing this court's consistent focus on the source, we are convinced that Congress never intended this court to exercise jurisdiction over an appeal from a judgment like that *sub judice*. Because we can still, as was said in our original transfer order, "discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit," we expand somewhat on that view here.

PA-10, 822 F.2d at 1550-1551; and

We have again concluded that this court has not been granted jurisdiction over an appeal from this type of summary judgment in an antitrust case, . . .

PA-27, 822 F.2d at 1559.

The Federal Circuit's action in addressing the merits after making the foregoing finding of a lack of statutory jurisdiction is not only a fundamental violation of the principles of judicial action, but runs afoul of all precedent established by this Court relative to federal court subject matter jurisdiction. Well over one hundred years ago, this Court articulated these principles in *Sheldon et ux. v. Sill*, 49 U.S. 441, 448-449 (1850):

It must be admitted, that if the Constitution had ordained and established the inferior courts, and distributed to them their respective powers, they could not be restricted or divested by Congress. But as it has made no such distribution, one of two consequences must result - either that each inferior court created by Congress must exercise all the judicial powers not given to the Supreme Court, or that Congress, having the power to establish the courts, must define their respective jurisdictions. The first of these inferences has never been asserted, and could not be defended with any show of reason, and if not, the latter would seem to follow as a necessary consequence. And it would seem to follow, also, that, having a right to prescribe, Congress may withhold from any court of its creation jurisdiction of any of the enumerated controversies. *Courts created by statute can have no jurisdiction but such as the statute confers.* (Emphasis added).

Of course, after the Court in *Sheldon* found that jurisdiction was lacking, it vacated the judgment on the merits of the Circuit Court "for want of jurisdiction." 49 U.S. at 450.⁴

In *Firestone Tire & Rubber Co. v. Risjord*, 449 U.S. 368 (1981), an Eighth Circuit Court of Appeals ruling that motions to disqualify counsel are not appealable final orders was upheld. However, the Eighth Circuit made its decision prospective only and then proceeded to consider the merits of the challenged order. This Court, in agreeing that the Court of Appeals had no jurisdiction because of a lack of finality, thus ruled that the merits could not be reached:

If the appellate court finds that the order from which a party seeks to appeal does not fall within the statute, its inquiry is over. A court lacks discretion to consider the merits of a case over which it is without jurisdiction, and

⁴ The opinion contained no intimation that despite a lack of jurisdiction, the court had the power to decide the case anyway. Indeed, this Court appears never to have upheld a decision of a federal court on the merits where it also expressly held that the court lacked jurisdiction. On the contrary, this Court has consistently required the vacation of any judgment where a court of appeals possessed no subject matter jurisdiction or where the statutory jurisdictional grant was exceeded. Accordingly, in *Stratton v. St. Louis Southwestern R. Co.*, 282 U.S. 10 (1930), this Court vacated the judgment of a court of appeals that decided an appeal from a single district judge's ruling under circumstances where a three judge court was required. This Court said (282 U.S. at 18):

When it appears, on an appeal to this court from a decree of the Circuit Court of Appeals, that the latter court had acted without jurisdiction in entertaining the appeal from the District Court, the appropriate action of this court is to reverse the decree of the Circuit Court of Appeals and to remand the case with directions to dismiss the appeal to that court for want of jurisdiction.

Also see this Court's recent decision in *Commissioner v. McCoy*, 484 U.S. —, 98 L. ed. 2d 2, 108 S.Ct. 217 (1987), where, in a *per curiam* opinion, it ruled that a court of appeals exceeded its jurisdictional authority in affording relief in a taxation matter beyond that authorized by Congressional enactment.

thus, by definition, a jurisdictional ruling may never be made prospective only. We therefore hold that because the Court of Appeals was without jurisdiction to hear the appeal, it was without authority to decide the merits. Consequently, the judgment of the Eighth Circuit is vacated, and the case is remanded with instructions to dismiss the appeal for want of jurisdiction.

449 U.S. at 379-380.⁵

B. The Transfer Statute, 28 U.S.C. § 1631, Does Not Confer Jurisdiction on an Appellate Court Which Would Not have had Jurisdiction if a Timely Appeal had been Taken to It.

The Federal Circuit did not actually claim that § 1631 enabled it to consider the merits in the absence of jurisdiction, but it vaguely hinted that the "interest of justice" language found in that section somehow blessed its action to go forward on the merits, stating:

The "interest of justice" provision in 28 U.S.C. § 1631 was intended to require a balancing of a transfer to a court having jurisdiction against dismissal for lack of jurisdiction in the transferring court. Nonetheless, the present special circumstances equally implicate the need to act in the interest of justice.

PA-27, 822 F.2d at 1559; and

⁵ It has been held that a judgment on the merits, having been rendered "by a court lacking subject matter jurisdiction," was "a nullity, void *ab initio*." *Alabama Hospital Ass'n. v. United States*, 656 F.2d 606, 610 (Ct. Cl. 1981), *cert. denied*, 456 U.S. 943 (1982). At the least, without jurisdiction, no viable decision "of the merits" is available for Supreme Court review. *United States v. Corrick*, 298 U.S. 435, 440 (1936). Also see this Court's refusal to consider the merits in *United States v. Hohri*, 482 U.S. ____, 96 L. Ed. 2d 51, 57, 107 S. Ct. 2246 (1987), *cert. granted* 479 U.S. ____, 93 L. Ed. 2d 401, 107 S. Ct. 454 (1986), once it determined there was no jurisdiction in the Court of Appeals for the District of Columbia Circuit even though *certiorari* had been granted, in part, to review a question of national importance involving the claims of Japanese-Americans.

... we have determined that a rule of necessity in the interest of justice due the parties compel us to resolve the questions presented on the merits of the judgment appealed from.

PA-28, 822 F.2d at 1560.

Of course, 28 U.S.C. § 1631, including its "in the interest of justice" language, contains not a grain of support for the Federal Circuit's unprecedented action in deciding this appeal on the merits. Indeed, the premise of the statute is precisely the opposite. That is, because a court without jurisdiction necessarily lacks power to decide a case, the case may be transferred to a court with jurisdiction "if it is in the interest of justice" to do so. See *Hempstead Cty. & Nevada Cty. Project v. U.S.E.P.A.*, 700 F.2d 459, 462-463 (8th Cir., 1983).

United States v. Hohri, *supra* footnote 5, indicates that this Court's view of 28 U.S.C. § 1631 is in accord with its obvious meaning, which is that when a court of appeals "finds that there is a want of jurisdiction," the case may be transferred to the court having jurisdiction "if it is in the interest of justice":

We vacate the judgment of the Court of Appeals, and remand the case to that court, with instructions to transfer the case to the Federal Circuit. See 28 USC § 1631 [28 USCS § 1631].

____U.S. ____, 96 L.Ed. 2d at 62, 107 S.Ct. at 2252. The reference to § 1631 followed this Court's conclusion that the Court of Appeals for the District of Columbia Circuit lacked jurisdiction. That was the necessary reason why it utilized § 1631 to order a transfer to the appropriate court having jurisdiction.

C. Conclusion

Accordingly, the first question presented is of easy resolution. Under no circumstances may a federal court of appeals exercise jurisdiction that has not been conferred by statute. Nothing in the transfer statute, 28 U.S.C. § 1631, confers jurisdiction on an appellate court which would not have had

jurisdiction if a timely appeal had been taken to it. Therefore, if the Court of Appeals for the Federal Circuit in this case was correct in determining that it lacked subject matter jurisdiction, its judgment on the merits must be vacated.

II. THE CONGRESSIONAL ENACTMENT CREATING THE COURT OF APPEALS FOR THE FEDERAL CIRCUIT CONFERRED NO SUBJECT MATTER JURISDICTION ON THAT COURT TO DECIDE THIS APPEAL OF AN ANTITRUST AND TORTIOUS INTERFERENCE CASE.

A. Jurisdiction of the Federal Circuit is Determined⁶ from 28 U.S.C. § 1338, the Same Standard that Applies Between State Courts and Federal Courts in Patent Cases.

⁶ The fact of consolidation for a few weeks under FRCP Rule 42(a) with a previously settled patent case can have no bearing on the question of jurisdiction. See footnote 9 in *Christianson*, PA-12 (Fed. Cir.). Moore's Federal Practice § 42.02[3] states:

Subdivision [42](a) speaks both of joint hearings or trials and of consolidation. This wording should not serve to give renewed life to a mistaken notion that there is some inherent distinction between a joint hearing (or trial) of particular issues, and consolidation. The rule is worded as it is to reflect the prior practice to merge the hearing or trial of separate actions so far as is necessary for their expeditious handling. Thus one or many or all of the phases of the several actions may be merged. But merger is never so complete even in consolidation as to deprive any party of any substantial rights which he may have possessed had the actions proceeded separately. The actions retain their separate identity, and the parties and pleadings in one action do not automatically become parties and pleadings in the other action.

At the outset of the *Christianson* case, when the initial complaint was filed the jurisdictional basis of the district court, and therefore of the appellate court, was determined. The pleadings in this case, at the time the appeal was filed, presented no more of a case arising under the patent laws than when the case was originally filed. See *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed. Cir. 1984) at 1081:

(footnote continued)

The Federal Circuit has jurisdiction of appeals from final decisions of U.S. District Courts where the district court's jurisdiction, ". . . was based, in whole or in part, on section 1338" 28 U.S.C. § 1295(a)(1) of the Federal Circuit's Improvements Act of 1982 ("FCIA").⁷ Section 1338, in turn, confers exclusive jurisdiction on district courts to hear civil actions "*arising under* any Act of Congress relating to patents. . . ." (Emphasis added). 28 U.S.C. § 1338(a).

It is noteworthy that Congress, by referencing the district court's exclusive jurisdiction statute, sought to tie the Federal Circuit jurisdiction to the same dividing line that separates federal court jurisdiction from state court jurisdiction. Since at least 1897 it has been settled law that state courts may decide patent questions.⁸ Indeed, if the "arising under" language of 28

(Footnote 6 continued)

As pointed out in *Albert v. Kever Corp.*, 729 F.2d at 765, the normal rule is that "federal jurisdiction is measured at the outset of the suit The criteria for jurisdiction of the district court over a case are determined at the complaint stage, and a subsequent event such as the present separation order entered solely to direct appeals, *that does not alter those criteria*, cannot oust the appellate court of its potential jurisdiction over appeals from final decisions in that case.

⁷ Pub. L. No. 97-164, 96 Stat. 25 (1982), 28 U.S.C. 1295(a)(1).

⁸ In *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897), this Court said:

Section [1338] does not deprive the state courts of the power to determine *questions* arising under the patent laws, but only of assuming jurisdiction of "cases" arising under those laws. There is a clear distinction between a case and a question arising under the patent laws. The former arises when the plaintiff in his opening pleading--be it a bill, complaint or declaration--sets up a right under the patent laws as a ground for a recovery. Of such the state courts have no jurisdiction. The latter may appear in the plea or answer or in the testimony. The determination of such questions is not beyond the competency of the state tribunals.

Thus the Federal Circuit has "case" jurisdiction, not "issue" jurisdiction.

U.S.C. § 1338 had been given broader interpretation than that which is traditional for that phrase and was extended to encompass all cases in which a patent issue arose, the federal court system case load undoubtedly would be much heavier. Under such circumstances, state courts which now decide non-patent "cases" that contain patent issues would be precluded from doing so because § 1338, which confers subject matter jurisdiction on district courts in patent "cases," also makes that same district court "jurisdiction . . . exclusive of the courts of the states in patent . . . cases."⁹

⁹ Many cases involving conflict with federal patent laws are either state court cases or federal cases in which the only recitation of jurisdiction is under § 1332, diversity of citizenship. For example, *Brulotte v. Thys*, 379 U.S. 29 (1965) [from the Washington Supreme Court], *Lear, Incorporated v. Adkins*, 395 U.S. 653 (1969) [from the California Supreme Court]; *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979); *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974). In a related case to *Lear*, *Lear Siegler, Inc. v. Adkins*, 141 USPQ 327 (9th Cir. 1964), the Court of Appeals for the Ninth Federal Circuit even stayed the federal declaratory judgment case of patent invalidity and noninfringement pending decisions by the state court involving the same issues of validity and infringement.

Moreover, issues of compliance with § 112 in trade secret cases are found in state cases: *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (1920) and *National Rejectors, Inc., v. Trieman*, (Mo. Sup. Ct. 1966), 409S.W.2d1. In the antitrust case of *American Cyanamid Co. v. Power Conversion, Inc.*, 175 USPQ 302, companion opinion at 336 N.Y.S. 2d 6, 71 Misc. 2d 213, (New York Supreme Court, Westchester County 1971, 1972), the state court held it had the power to determine validity of a patent (175 USPQ at 303), and dealt with the issue of conflict of trade secret and patent laws involving § 112 (175 USPQ at 305-6).

Recently the Supreme Court of Florida in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 515 So.2d 220 (Nov. 12, 1987) ruled that a Florida statute was preempted by federal patent law, notwithstanding an earlier contrary holding by the Federal Circuit as to a substantially similar California statute in *Interpart Corp. v. Italia*, 777 F.2d 678 (Fed. Cir. 1985).

Also, see *Christianson*, PA-13,14, 822 F.2d at 1552 (Fed. Cir.) and cases cited therein demonstrating that state courts may decide patent issues in cases which do not arise under the patent laws.

B. For the Federal Circuit to have Jurisdiction the Patent Case Must Arise Under the Patent Laws in the Same Sense that Cases are said to Arise Under Federal Law for Purposes of Federal Question Jurisdiction.

Not only from a *language* standpoint does Federal Circuit jurisdiction of § 1295(a)(1) depend upon district court "arising under" patent jurisdiction of § 1338, a section that long preceded the FCIA,¹⁰ but it is also clear that Congress specifically *intended* cases to be within the federal circuit's patent jurisdiction "in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." H. R. Rep. No. 312, 97th Cong., 1st Sess. 41. Also, see *Christianson*, PA-15, 822 F.2d at 1551 & 1553 (Fed. Cir.) & *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1286, n. 3 (9th Cir. 1984) *cert. denied*, 469 U.S. 1190 (1985).

In accord, the Federal Circuit said:

Congress said cases are within this court's patent jurisdiction "in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." House Report, at 41; see 28 U.S.C. § 1331 (1982).

PA-15, 822 F.2d at 1553. The Seventh Circuit similarly said:

. . . it is now settled that § 1295 incorporates the traditional rules of statutory "arising under" jurisdiction.

PA-55, 798 F.2d at 1059.

C. It is Settled that "Arising Under" Jurisdiction is Determined by Reference to Plaintiffs' Complaint.

Whether a case "arises under" the patent laws has always been determined by reference to plaintiff's complaint. Both the Federal and Seventh Circuits acknowledged this by quoting the identical passage from this Court's recent decision in *Franchise Tax Bd. v. Laborers Vac. Trust*, 463 U.S. 2, 9 (1983),

¹⁰ § 1338 is based on Title 28, U.S.C., 1940 ed., §§ 41(7) and 371(5) (Mar. 3, 1911, ch. 231, § 24, par. 7, 256, par. 5, 36 Stat. 1092, 1160).

which, in turn, quoted *Taylor v. Anderson*, 234 U.S. 74, 75-76 (1914):

[W]hether a case is one arising under the Constitution or a law or treaty of the United States, in the sense of the jurisdictional statute . . . , must be determined from what necessarily appears in the plaintiff's statement of his own claim in [the complaint], unaided by anything alleged in anticipation or avoidance of defenses which it is thought the defendant may interpose.

Christianson, PA-57, 798 F.2d at 1060 (7th Cir.) and PA-15, 822 F.2d at 1553 (Fed. Cir.).

While, as the Federal Circuit observed (PA-26, 822 F.2d at 1559), the Seventh Circuit was influenced heavily by "counsel's briefs" and "post-complaint motions and arguments," the latter court conceded, at least in theory, that:

It is still true, however, that the necessary factual allegations are to appear in the complaint and "may not be gleaned from the briefs and arguments themselves." *Bender v. Williamsport Area School District*, [475 U.S. 534, 547], 106 S.Ct. 1326, 1334, 89 L. Ed. 2d 501 (1986).

PA-58, 798 F.2d at 1060, note 12 (7th Cir.).

D. Under the "Holmes' Creation Test" Christianson's Cause of Action in His Complaint did Not "Arise Under" the Patent Laws.

The Seventh Circuit discussed (PA-56, 798 F.2d at 1059) the test described by Justice Holmes in *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916): "A suit arises under the law that creates the cause of action." The Seventh Circuit and the Federal Circuit both readily determined that Christianson's case did not "arise under" the patent laws under Holmes "creation" test because Christianson did not seek "relief under the patent laws." (PA-59, 798 F.2d at 1061 (7th Cir.) and PA-8, 822 F.2d 1550 (Fed. Cir.)) This was true because Christianson's case was not founded on any of the provisions in

the patent laws where Congress created a cause of action.¹¹

E. Christianson's Complaint Does Not State a Cause of Action Arising Under the Patent Laws Under a Proper Analysis of the "Well-Pleaded Complaint" Doctrine.

In order to have "arising under" jurisdiction, a well-pleaded complaint must also establish "that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal law." (Emphasis added). *Franchise Tax Board, supra*, 463 U.S. at 27-28. Stated another way, the right claimed under federal [patent] law "must be an element, and an essential one

¹¹ Congress expressly created a civil cause of action under the following statutes:

- (a) 35 U.S.C. § 145 (civil action for applicant to obtain patent denied by board of Patent Appeals and Interferences);
- (b) 35 U.S.C. § 146 (civil action for party to an interference decided by Board of Patent Appeals and Interferences);
- (c) 35 U.S.C. §§ 281 and 288 (civil action by patent owner for infringement of patent); and
- (d) 35 U.S.C. § 291 (civil action by patent owner for interfering patents);

and the following may also provide a basis for a cause of action in certain situations:

- (e) 35 U.S.C. § 32 (an action for review of a decision of the Commissioner of the Patent and Trademark Office disciplining an attorney, see *Jaskiewicz v. Mossinghoff, Commissioner*, 802 F.2d 532 (D.C. Cir. 1986) and *Wyden v. Commissioner*, 807 F.2d 934 (Fed. Cir. 1986));
- (f) 35 U.S.C. § 256 (correction of named inventor, see *Aetna-Standard Engineering Co. v. Rowland*, 223 USPQ 557 (Pa. Ct. of Common Pleas, Butler Co. 1983)); and
- (g) 35 U.S.C. § 292 (suit by any person for false marking as "patented", etc., however, remedy is more like a criminal penalty than a civil remedy).

In *Beghin-Say International, Inc. v. Ole-Bendt Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984), attempts to construe issues relating to patent law provisions 35 U.S.C. § 102 and § 261 as being the basis for § 1338 jurisdiction failed. See also the extensive list of 167 other statutes that "relate to patents" in Chief Judge Markey's dissent in *Wyden v. Commissioner*, 807 F.2d 934 (Fed. Cir. 1986).

of the plaintiff's cause of action." (Emphasis added). *Gully v. First Nat. Bank*, 299 U.S. 109, 112 (1936); *Franchise Tax Board, supra*, 463 U.S. at 10-11. Accordingly, even where a federal claim is arguably contained within a cause of action, if the plaintiff may sustain or lose his right to relief for reasons "unrelated" to the federal claim, then the case does not "arise under" federal law. (See *Franchise Tax Board*, 463 U.S. at 26, including note 29).

Relying upon federal law in the complaint to counter anticipated defenses does not create "arising under" jurisdiction, nor does "arising under" jurisdiction exist when a federal patent issue emerges for the first time in pleadings or arguments subsequent to the complaint "even if" that issue "is anticipated in the plaintiff's complaint," and even if both parties admit that "it 'is the only question truly at issue in the case.'" *Franchise Tax Board, supra*, 463 U.S. 1 at 10 & 14. In short, "merely potential federal questions" that are not a part of the plaintiff's cause of action in the complaint do not create "arising under" patent jurisdiction. See *Christianson*, PA-57, 798 F.2d at 1060 (7th Cir.). Compare the later discussion of *Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. —, —, 106 S.Ct. 3229, 3232 (1986) where, even if a federal issue is in the complaint, the case may still not arise under federal law.

The Federal and Seventh Circuits acknowledged the existence of the above standards but proceeded to different results. The Federal Circuit, while finding nothing in the complaint to confer jurisdiction, nonetheless generally accepted in substance, if not in precise wording, the Seventh Circuit's explanation that under the "well-pleaded complaint" doctrine a case "arises under" the patent laws if the plaintiff asserts " . . . in the complaint some right or privilege *the existence of which* would be defeated by one or sustained by an opposite construction' of the patent laws." PA-19, 822 F.2d at 1556 (Fed. Cir.). A proper analysis of Christianson's complaint, as here follows, reveals that the Federal Circuit was correct and that the Seventh Circuit, possibly for the reasons later stated, misapprehended the complaint.

F. The Complaint Sought to Vindicate No Federal Right That Would Necessarily be Defeated or Sustained Depending Upon the Construction Given a Patent Law, in This Case 35 U.S.C. § 112.

1. The elements of Christianson's antitrust cause of action¹² do not, either expressly or by implication, assert a right dependent upon § 112 and do not otherwise require a determination of § 112.

In Count I, plaintiffs Christianson and his company, ITS, pled¹³ they were put out of business by a group boycott orchestrated by defendant Colt. Paragraph 22 of the complaint (JA-10-11) described some of the conduct of Colt that was claimed to violate the antitrust laws and paragraph 23 (JA-11) then alleged:

Notwithstanding the unlawful nature of all of the foregoing efforts and demands by Colt, virtually all suppliers of ITS and customers of ITS have agreed with Colt to refrain from supplying and purchasing M-16 parts and accessories to or from ITS, which has had the effect of requiring ITS to close its doors and no longer transact business.

¹² The Federal Circuit, in the *Introduction* to its opinion in this cause, concisely summarized the state of the pleadings with respect to Count I of the complaint:

"An appeal in a pure and simple antitrust case is here solely because an issue of patent law appears in an *argument* against a *defense*. Christianson asserted rights that arise under, and only under, antitrust law. Colt's defense is its trade-secret rights under state law. Christianson's argument against that defense is that Colt lost its secrets because it did not disclose them in its patent applications."

PA-2, 822 F.2d at 1547 (Fed. Cir.).

¹³ At the time of the filing of the complaint, it consisted of only one count and was grounded on the antitrust laws of the United States. (JA-7-10). Upon the filing of Count II, which was a cause of action for tortious interference with business expectancies under state law, the initial complaint became Count I. (See JA-4 & 52).

The allegations in the above referenced paragraphs of the complaint were predicated on several cases of this Court which make group boycotts of a single business actionable *per se* antitrust violations under the Sherman Act (15 U.S.C. §§ 1 & 2). In *Kiefer-Stewart v. Seagram*, 340 U.S. 211, 214 (1951), it was said:

Seagram and Calvert acting individually perhaps might have refused to deal with petitioner or with any or all of the Indiana wholesalers. *But the Sherman Act makes it an offense for respondents to agree among themselves to stop selling to particular customers.* (Emphasis added).

Similarly, in *Klor's v. Broadway-Hale Stores*, 359 U.S. 207, 212-213 (1959), this Court reversed a district court which had dismissed as a "private quarrel," a concerted refusal to deal with a single appliance retailer, saying:

Group boycotts, or concerted refusals by traders to deal with other traders, have long been held to be in the forbidden category

. . . it is not to be tolerated merely because the victim is just one merchant whose business is so small that his destruction makes little difference to the economy.

To the same effect is *United States v. General Motors Corp.*, 384 U.S. 127, 145-146, (1966):

Elimination, by joint collaborative action, of discounters from access to the market is a *per se* violation of the Act.

. . . where businessmen concert their actions in order to deprive others of access to merchandise which the latter wish to sell to the public, we need not inquire into the economic motivation underlying their conduct

Also see *United States v. Parke, Davis & Co.*, 362 U.S. 29 (1960) and *Fashion Originators' Guild v. F.T.C.*, 312 U.S. 457 (1941).

A cause of action based on group boycott under the antitrust laws and the foregoing cases obviously do not require an antitrust plaintiff to plead as an element of his cause of action, and

thereafter prove, that the defendant's conduct was *not justified because* he possessed invalid trade secrets as a result of violating 35 U.S.C. § 112, or that the conduct was *not justified because* of countless other reasons that the defendant might possibly assert. "[G]roup boycotts, or concerted refusals by traders to deal with other traders," "have not been saved by allegations that they were reasonable in the specific circumstances." *Klor's v. Broadway-Hale Stores*, 359 U.S. 207, 212 (1959). This Court has said that "we did not inquire into the economic motivation underlying their conduct" "where businessmen concert their actions in order to deprive others of access to merchandise which the latter wish to sell to the public." *United States v. General Motors Corp.*, 384 U.S. 127, 146 (1966).

Therefore, the principles of the foregoing cases strongly suggest that there may be no justification at all for Colt's anti-competitive conduct, but, at the least, they clearly infer that a plaintiff has made out a *prima facie* case under the antitrust laws by resting once he has proven he was driven out of business as a result of a concerted refusal to deal orchestrated by the defendant.

The burden falls on the defendant to plead and prove justification for his anti-competitive conduct. That is exactly what Colt attempted to do in this case. It pled as a defense that it was entitled to engage in its anti-competitive conduct against Christianson because it was simply enforcing rights under state law to claimed trade secrets. (See Colt's answer, ¶ 45, JA-19).

Therefore, even at the complaint and answer stage of the proceedings, the § 112 federal patent issue had not yet become an issue in the case. It became an issue *only* and *for the first time* when Christianson filed a reply to Colt's answer and counterclaims. Thus, paragraph 114 of the reply contained the allegation that none of Colt's counterclaims were valid because of:

. . . the wrongful acquisition of patent monopolies with

respect to the M-16 . . . without the required disclosure of the patent technology and the maintenance of such patent technology as a trade secret for the purpose of extending the patent monopoly beyond the expiration thereof. (JA-45).

Moreover, Christianson was not required to plead *any* defenses to Colt's claim of trade secrecy in order to pursue his antitrust case, but was entitled to rely totally on this Court's decision in *Fashion Originators' Guild v. F.T.C.*, 312 U.S. 7, 457 (1941). In that case a boycott was directed against retailers who sold garments copied by manufacturers from designs put out by members of a fashion guild. The fashion guild had inspired the boycott, claiming that the copying by the boycotted retailers was unethical and tortious. This Court held that the boycott presented an antitrust violation "even if copying were an acknowledged tort under the law of every state." 312 U.S. at 468. Thus *Fashion Originators'* entitles Plaintiff to relief under the antitrust laws on account of Colt's boycott "even if" Christianson has no defenses to Colt's claim of trade secrets "under the law of every state."

While Christianson has elected not to totally rely on the above case and instead has raised additional defenses, he specifically relied upon that case in his appellate brief on the merits (p. 48) to the Seventh Circuit in order to have the antitrust judgment sustained. Obviously, Christianson intends to continue to rely on that case throughout the course of this litigation, if necessary.

Therefore, under the tests discussed, the most that may be said of the §112 patent disclosure issue is that at the time the complaint was filed it was merely a potential federal question that was neither expressed nor implied in the complaint as an element of plaintiff's cause of action. Accordingly, that question could not confer federal patent jurisdiction on the district court under the well-pleaded complaint doctrine.

2. The complaint's lone reference to § 112 in no way makes the case one which arises under the patent laws.

a. Colt "admits" validity.

Paragraph 18 of the complaint contains the sole reference to § 112 in the complaint, and, in its entirety, reads:

18. The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. § 112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for seventeen years. (JA-9).

No language in paragraph 18 alleges that the patents were invalid because of the wrongful retention of proprietary information in contravention of § 112.¹⁴ On the contrary, the opening sentence of the paragraph states that the validity of the Colt patents had been assumed. At the pleading stage, Colt did not read paragraph 18 as a claim by Christianson that the Colt patents were invalid, because in its answer to that paragraph,¹⁵ Colt specifically said:

. . . *admits* that Colt's patents are valid until the end of each of their respective lifetimes, . . . (Emphasis added). (JA-15).

¹⁴ The Federal Circuit correctly observed this. (PA-22, 822 F.2d at 1557)

¹⁵ The Federal Circuit also noted this. (PA-23, 822 F.2d at 1557)

Accordingly, even after Colt's answer was filed, in which Colt sought to *admit* patent validity,¹⁶ no issue had yet been drawn between the parties involving patent validity. Paragraph 18 simply stated that the patents had been assumed to be valid, and that upon their expiration anyone could use the disclosed technology "unless" the patents were invalid, in which event such technology could have been used earlier. For purposes of stating the elements of an antitrust cause of action, it was simply immaterial whether the patents were valid or invalid.

¹⁶ Colt's attempted admission was self-serving in that it purported to admit more than what was alleged. Paragraph 18 neither alleged patent invalidity nor invalidity. It alleged only that the validity of the patents "had been assumed." The "Unless" clause is simply a complement to the opening sentence that says that the validity of the patents had been assumed. Following the "Unless" clause, the paragraph states that "when such patents expired" anyone "who has ordinary skill in the rifle-making art," paraphrasing the language of § 112, was entitled to use the technology of the expired patents.

Because Colt *admitted* patent validity instead of denying invalidity, the Seventh Circuit's statement that Colt pled patent validity as a defense to an allegation of patent invalidity under § 112, is necessarily mistaken. In this regard, the Seventh Circuit said:

If Christianson is saying that Colt fully complied with § 112, but, nonetheless, attempted to make a trade secret out of that which was in the public domain, then there is no reason for Colt to present the "defense" of patent validity, because both sides would then simply be in agreement about the status of the patents. In other words, the defendant's allegation of patent validity cannot be a defense to the plaintiff's allegation of patent validity.

PA-62, n. 14, 798 F.2d at 1062, n. 14 (7th Cir.)

Of course, in view of the actual allegation of paragraph 18 of the complaint and its admission by Colt, no *defense* of patent validity was pled by Colt in its answer. Instead, and as noted, the defense pled was that Colt was enforcing its claimed trade secrets under state law. (¶45, JA-19)

- b. Contrary to the Seventh Circuit's mistaken view, Christianson had the M-16 technology available to him for eight years, so his Complaint contained no implication that it had been withheld in violation of § 112.**

The Seventh Circuit's analysis was bottomed on an alleged "implication" in the complaint. That court said:

Christianson maintained by implication in the complaint, and expressly in its summary-judgment papers, that the information needed to make the parts was not available, so that Colt must necessarily have withheld that information in violation of § 112. The crux of the plaintiff's case is that, by failing to make the necessary disclosures under § 112, Colt is extending its exclusionary rights beyond the 17-year life of the M16 patents, a result inconsistent with the objectives of the patent system.

PA-60,61, 798 F.2d at 1061 (7th Cir.)

Contrary to the foregoing statement, Christianson expressly alleged in his complaint that the information had been available to his company, ITS, since 1976 when that company "expended funds to have manufactured certain tooling to be used for the manufacture of M-16 parts and accessories, which tooling was made by Casting Engineers, Inc. of Illinois and Martin-Marietta Company." (¶20, JA-9). Additionally, paragraph 21 of the complaint alleged that Colt had given ITS permission to use that tooling so that "suppliers, including Casting Engineers, could make M-16 parts for ITS to sell to customers, . . ." ¹⁷ (JA-9,10).

¹⁷ Also see Affidavit of Charles Christianson in support of his Motion for Summary Judgment wherein he states that he purchased M-16 parts from Casting Engineers from 1976 through 1983 "for resale to various customers." (JA-59,60) Similarly, Judge Morgan, the District Court Judge who granted summary judgment, stated that Christianson "has been marketing M-16 components for approximately eight years." (PA-75).

Therefore, Christianson did not allege in his complaint that the technology had been kept secret from him, but rather that Colt had rendered useless this available technology by acting in concert with others to drive him and ITS out of business. (¶23, complaint, JA-11).

- c. The Complaint contained no necessary implication of a § 112 violation because a lack of justification for Colt's anti-competitive conduct is not an element of an anti-trust count.**

Basic and fundamental to the Seventh Circuit's notion that the complaint contained an implication of a § 112 violation is its unarticulated assumption that in order to set forth a cause of action for antitrust based on group boycott, Christianson was required to demonstrate in his complaint the reason why Colt's anti-competitive conduct was not justified.¹⁸ The Seventh Circuit believed that he was required to allege and prove a negative, that is, for example, that Colt's conduct was not justified because Colt's claim to trade secrets was in violation of § 112 or Colt was not entitled to enforce them for other reasons. As

¹⁸ The Federal and Seventh Circuits had a marked disagreement regarding the necessary elements of an antitrust cause of action. While the Seventh Circuit found an implication of a § 112 violation in the complaint, the Federal Circuit held just the opposite. It said:

The facts alleged setting forth Christianson's *antitrust* cause of action in the complaint require *no* construction of the patent laws.

PA-26, 822 F.2d at 1559 (Fed.Cir.). The Federal Circuit footnoted the foregoing statement with the following comment:

It may be helpful to recognize that no patent issue or question, under § 112 or otherwise, would have been present at all if Colt had *not* elected to include its trade secret defense in its answer, or if Christianson had tried to overcome that defense on grounds other than non-compliance with § 112.

PA-26, 822 F.2d at 1559, note 20 (Fed.Cir.).

demonstrated, none of the group boycott cases cited previously suggest that a plaintiff in an antitrust case has such a burden. Indeed, they suggest that "competition not combination, should be the law of trade." See *United States v. Parke, Davis, supra*, 362 U.S. at 47, quoting from *National Cotton Oil Co. v. Texas*, 197 U.S. 115, 129 (1905).

- d. Even if proof of a lack of justification for Colt's anti-competitive conduct were an element of an antitrust count, the Complaint contained no *necessary* implication of a § 112 violation because a lack of justification for Colt's anti-competitive conduct was alleged and provable for reasons unrelated to a § 112 violation.**

Christianson had sought to overcome the trade secrets defense on grounds other than non-compliance with § 112. In the fourth, fifth and sixth defenses to all counterclaims (pars. 98, 99 & 100 of reply), Christianson pled that Colt was barred from asserting its alleged trade secrets or any of its counterclaims because of "*laches*," "waiver and consent," and "estoppel." (JA-42,43). Of course, all of this was in addition to allegations in the complaint itself which had specifically stated that Colt had given Christianson's company "permission to use the tooling for which it had expended funds in 1976," and that his company, in reliance upon that permission had "expended funds" to have the tooling manufactured. (pars. 20 & 21 of complaint; JA-9,10). The § 112 wrongful disclosure argument to counter the trade secret allegations was not pled until near the end of the reply in ¶ 114 as the twentieth defense to all counterclaims. (JA-45).

Thus as of the time of the filing of the complaint, and even after several defenses had been pled, Christianson's discretion in determining whether to invoke § 112 was unfettered. Colt itself admitted in its cross-motion for summary judgment that the defenses of "waiver, estoppel and *laches*" would "remain for trial" regardless of the disposition of the summary judgment motions. (JA-82).

Nonetheless, if it be assumed *arguendo* that in an antitrust case the Seventh Circuit was correct, and that it is necessary to affirmatively set forth as a part of the plaintiff's cause of action a lack of justification for the anti-competitive conduct, the Seventh Circuit's analysis would still fail. The reason for this is because of the principles discussed in II. E., pp. 23-24, *supra*, relating to the "arising under" tests for jurisdiction. Under the test explained in that section, the plaintiff's right to relief would not "necessarily" depend on a resolution of federal law. *Franchise Tax Board*, 463 U.S. at 27-28. The element of federal patent law would not be "essential" to plaintiff's cause of action. *Gully*, *supra*, 299 U.S. at 112. That is, at trial Christianson could have affirmatively relied on the evidence other than that relating to § 112 as a part of his proof, such as permission, waiver, etc. and have prevailed, depending on the resolution of those issues. Additionally, he could have relied on the *Fashion Originators* case to claim that state trade secrets were immaterial.

Therefore, under the cases cited it cannot be said that the plaintiff's right to relief would *necessarily* depend on the resolution "of a substantial question of federal law." *Franchise Tax Board*, *supra*, 463 U.S. at 27-28. The plaintiff's right to relief could be established for reasons "unrelated" to the federal patent claim. (Again see *Franchise Tax Board*, 463 U.S. at 26, including note 29).

3. By similar analysis, the tortious interference count of the Complaint also claimed no rights under § 112.

The analysis set forth above applies in comparable fashion to Count II, which alleges violation of a state law count of tortious interference with business relations. Count II simply repeated pars. 2-21 of the initial complaint, Count I, and then made the following allegations:

22. Colt had a valid business relationship and expectancy to do business with Casting Engineers of Illinois to the end that Casting Engineers would supply M-16 parts

to ITS for sale to other customers using tooling that ITS had previously purchased.

23. Colt had knowledge of this relationship and intentionally interfered with it by causing Casting Engineers to terminate its relationship in 1983 with ITS and to thereafter refuse to supply it with any parts for resale to customers.

24. Additionally, Colt urged customers of ITS not to do business with ITS with respect to M-16 parts, having knowledge of a business relationship or expectancy with these customers.

25. The actions of Colt in interfering with the relationship between plaintiffs and Casting Engineers and with plaintiff's potential customers was intentional and resulted in damage to ITS, in that ITS was forced out of business and Christianson was prevented from earning a living as its president and chief operating officer, which business was his chosen profession. (JA-52,53).

The foregoing count was modeled after the elements of a cause of action for tortious interference with business expectancies, as stated in the Illinois case of *City of Rock Falls v. Chicago Title & Trust Company*, 13 Ill.App.2d 359, 300 N.E.2d 331, 333 (3rd Dist. 1973);

The elements which establish a *prima facie* tortious interference are the existence of a valid business relationship (not necessarily evidenced by an enforceable contract) or expectancy on the part of the interferer; an intentional interference inducing or causing a breach or termination of the relationship or expectancy; and resultant damage to the party whose relationship or expectancy has been disrupted.

The foregoing description of the elements was quoted verbatim with approval in *O'Brien v. State Street Bank & Trust Co.*, 82 Ill. App.3d 83, 401 N.E.2d 1356, 1357-1358 (4th Dist. 1980). These cases do not require that the plaintiff prove as an element of his cause of action that the interference was without just cause or unjustified, and the cause of action pleaded did not

do so. Colt filed an answer and counterclaims to Count II wherein it simply repeated its defenses and counterclaims that had been filed in response to the antitrust complaint. (JA-55). Additionally, Colt added an eighth affirmative defense which said:

All actions by Colt complained of by plaintiffs were attempts by Colt to state facts, answer inquiries, and to assert and protect in good faith a legally protectible interest. (JA-56).

The language of the eighth affirmative defense appears to have been taken from the *Restatement of the Law*, Second, Torts § 773, which indicates that one who asserts in good faith a legally protected interest of his own by threatening to protect that interest by appropriate means has "a defense." Accordingly, the plaintiff did not plead a lack of justification in his complaint, relying upon the cited Illinois cases, and Colt continued to plead the same defenses pled to the antitrust count, with the additional defense of a legally protectible interest, presumably its alleged trade secrets.¹⁹ Therefore, the analysis that has appeared with reference to the antitrust count con-

¹⁹ Cases exist in Illinois which state, contrary to the cited cases, that lack of justification is an element of the plaintiffs cause of action. See, e.g., *Belden Corp. v. Internorth, Inc.*, 90 Ill.App.3d 547, 413 N.E.2d 98, 101 (1st Dist. 1980). Nonetheless, plaintiff is the "master to determine what law he will rely upon," *The Fair v. Kohler Die & Specialty Co.*, 228 U.S. 22, 25 (1912) and "[j]urisdiction generally depends upon the case made and the relief demanded by the plaintiff." *Healy v. Sea Gull Specialty Co.*, 237 U.S. 479, 480 (1915).

However, even if it be assumed that it was necessary to include in the complaint a lack of justification or the negating of a privilege of the defendant to interfere, the analysis with respect to Count I that a § 112 argument was not "essential" or not "necessarily" a matter that had to be decided is equally applicable here. Again, the issues of permission, waiver, estoppel and *laches* also were available as a part of the plaintiffs cause of action to override any claimed justification or privilege on the part of Colt to interfere. Thus, the right to relief requested in the complaint could be sustained for reasons entirely "unrelated" to § 112. *Franchise Tax Board*, 463 U.S. at 26, and note 29.

cerning the defense of privilege or justification arising not in the complaint, but in subsequent pleadings, is equally applicable to Count II.

G. Analysis of Jurisdiction Under the Standards of *Merrell Dow* Requires a Finding of No Federal Circuit Jurisdiction.

Even if a necessary § 112 issue could be read into the complaint, it would still not follow that Christianson's action would "arise under" the patent laws under *Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. ___, 92 L.Ed.2d 650, 661, 106 S.Ct. 3229, 3235 (1986). As shown by the result in *Merrell Dow*, there is a "long-settled understanding that the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction." *Merrell Dow* held that even the express recitation of the violation of a federal statute as an express element of a state cause of action, under appropriate circumstances, does not mean that the case "arises under" federal law. Thus, *Merrell Dow* places yet another hurdle in the path of a state case before it can find its way into federal court. *Merrell Dow* forms this hurdle by requiring the analysis of numerous factors concerning Congressional intent and the interest of the state versus federal systems of justice.

This Court in *Merrell Dow* recited numerous factors and considerations that should be weighed before a case is considered to have the type of substantial federal interest necessary to cause it to "arise under" federal law. Those considerations included:

- (1) Whether the plaintiffs are part of the class for whose special benefit the statute was passed;
- (2) Whether the indicia of legislative intent reveal a congressional purpose to provide a private cause of action;
- (3) Whether a federal cause of action would further the underlying purposes of the legislative scheme;
- (4) Whether the plaintiffs' cause of action is a subject traditionally relegated to state law.

Merrell Dow, 92 L.Ed.2d at 660.

An analysis of the above factors, as well as issues ancillary thereto, reveals that even if the § 112 issue is read into Christianson's "well-pleaded complaint," § 1338 jurisdiction arising under the patent laws would still not exist. Consequently, Federal Circuit jurisdiction does not exist. In the present case, and in prior cases concerning § 1338 patent jurisdiction, this Court has been mindful that § 1338 prescribes exclusive federal jurisdiction. Because of this exclusivity, all circumstances where causes of action are found to "arise under" the patent laws causes more litigation to be taken from state courts and placed in federal court.

On the first point, 35 U.S.C. § 112 was enacted to insure that the public obtained the disclosure prescribed as the *quid pro quo* for the patent grant. Thus, Christianson and the rest of the public are part of the class for whose special benefit the statute was passed. On the second point there is no indicia that Congress intended that the public could sue an inventor to force him to make a disclosure under § 112. To the contrary, as previously indicated, Congress specified certain specific causes of action based upon the patent laws, and these do not include a right of the public to enforce or recover under § 112 (see note 11, *supra*). On the third point, Congress already enacted the antitrust laws to ensure that improper competition is not created by improper patent grants. There is no statutory provision, *per se*, in the patent statute for a private recovery for improper patent procurement. (There is, however, recovery of attorney fees in connection with exceptional cases arising under the patent laws under 35 U.S.C. § 285.)

On the fourth point it should be recognized that, from very early on, the state courts have been historically litigating issues of patent validity and § 112 issues in conjunction with contract and tort actions, examples of which were identified earlier. Congress has not taken any steps to limit such jurisdiction. In fact, even though "arising under" the patent laws jurisdiction has historically allowed state review of patent issues, Congress clearly chose to follow that body of law when

it formed the Federal Circuit's jurisdiction. Congress was concerned with uniformity in patent *infringement* litigation, not in each and every cause of action that may involve a patent issue.

Finally, on the question of antitrust law, the congressional record in the formation of the Federal Circuit indicates that Congress did not choose to place all patent related antitrust actions in the Federal Circuit. To the contrary Congress was concerned that parties might use patent claims to manipulate antitrust claims away from the regional circuits.²⁰

Accordingly, the Federal Circuit has recognized that in such antitrust cases that may come before it, due to their being combined with a patent infringement claim, that it will respect the law of the regional circuits. See *Korody-Colyer v. General Motors*, 828 F.2d 1572 (Fed. Cir. 1987). Moreover, a different panel of the Seventh Circuit than the one involved herein decided an antitrust case involving patent issues during the existence of the Federal Circuit and did not raise any jurisdic-

²⁰ As pointed out in *Schwarzkopf Development Corp. v. Ti-Coating, Inc.*, 800 F.2d 240 (Fed. Cir. 1986):

The Senate expressed the concern that our jurisdiction not be manipulated "to create forum shopping opportunities between the Federal Circuit and the regional courts of appeals on other claims", the Senate focusing on antitrust issues as an example:

Thus, for example, mere joinder of a patent claim in a case whose gravamen is antitrust should not be permitted to avail a plaintiff of the jurisdiction of the Federal Circuit . . . ***

Senate Report at 19-20, 1982 U.S. Code Cong. & Ad. News at 29-30. The Senate Report continued:

The Committee intends for the jurisdictional language to be construed in accordance with the objectives of the Act and these concerns. If, for example, a patent claim is manipulatively joined to an antitrust action but severed and dismissed before final decision of the antitrust claim, jurisdiction over the appeal of the antitrust claim should not be changed by this Act but should rest with the regional court of appeals.

Id. at 20, 1982 U.S. Code Cong. & Ad. News at 30.

tional issue. See *Brunswick Corp. v. Riegel Textile Corp.*, 752 F.2d 261 (7th Cir. 1984).

The following quote from the Michigan Supreme Court in *A & C Engineering Co. v. Atherholt*, 95 N.W.2d 871 (Mich. 1959), *cert. denied* 361 U.S. 824 (1959) serves to state the view of most state courts on the line of demarcation under § 1338, (a line that Congress has not chosen to cross):

The key to the correct rule is the distinction between 'case' arising under the patent laws and a 'question' arising under those laws. *Pratt v. Paris Gas Light & Coke Co.* (1897) 168 U.S. 255, 42 L.Ed. 458, 18 S.Ct. 62.

Reduced to its lowest terms, the correct rule is that if the plaintiff founds his suit directly on a breach of some right created by the patent laws, he makes a case arising under those laws and only a Federal court has jurisdiction; but if he founds his suit on some right vested in him by the common law, or by general equity jurisprudence, he makes a case arising under state law and only a state court has jurisdiction. In this respect it is to be remembered that there is no Federal common law or equity law. These are the juridical attributes of the localities. Their principles, when administered in a Federal court, are derived from the respective peoples of the states. A case founded on a principle of tort, contract, or equity law is a case arising under state law. . . .

It is thus evident that state courts may determine the validity or scope of a patent when incidental to an action based on tort or contract.²¹

Therefore, under *Merrell Dow*, there is no Federal Circuit jurisdiction over this case based upon § 1338 "arising under"

²¹ Besides the cases previously cited see also *Zenie v. Miskend*, 245 App. Div. 634, 637-639, *aff'd*, 270 N.Y. 636 (1939), and *Murray Dalberg v. Hugo Mock*, 1 N.Y.2d 54, 133 N.E.2d 695, 150 N.Y.S.2d 180 (1956) where state tort actions, respectively for unfair competition and negligence, were maintained in state court even though they required the resolution of patent issues on the face of the complaints.

the patent laws. In review, Congress has not intended a federal claim for § 112 violations. There is no congressional intent that antitrust cases that may include patent issues be taken to the Federal Circuit. There are many state court cases dealing with patent issues and issues similar to the merits herein (See also *Dow Chemical*, *American Cyanamid*, *supra*). A finding like the one made by the Seventh Circuit's decision in this case, would only serve, due to § 1338 exclusivity, to take jurisdiction from the states and increase the burden of the federal courts. No such finding is justified by any substantial federal policy of sufficient import to change the traditional rule that states may interpret the patent laws in contract and tort cases and that accordingly other regional circuits may interpret the same laws in antitrust cases.

III. THE JUDGMENT OF THE FEDERAL CIRCUIT SHOULD BE VACATED AND THE APPEAL DISMISSED.

It may be seen from the foregoing portion of the brief that the "Seventh Circuit was led so far from Christianson's complaint as to render the well-pleaded complaint rule meaningless in this instance." (PA-26, 822 F.2d at 1559 (Fed. Cir.)) But it was Colt who did the leading. After the case was transferred to the Seventh Circuit, Colt filed a brief on the merits which contained the following statement in its jurisdictional summary:

Colt originally filed this appeal on August 5, 1985, [footnote omitted] in the Federal Circuit *because the complaint*, albeit for antitrust liability, *depends entirely on the claim that Colt's patents are invalid* under 35 U.S.C. § 112. *The theory of plaintiff's complaint* is that Colt's failure to disclose its manufacturing specifications and its patent applications deprives Colt of both patent and trade secret protection, and that Colt's enforcement of those trade secrets violates the antitrust laws. (Emphasis added.)

Brief of Appellant, Seventh Circuit Docket No. 86-1145, P. 4.

That statement was the precursor of the Seventh Circuit's incorrect analysis. The statement should be compared to the Seventh Circuit's conclusory comment relative to the substance of the complaint:

. . . the abuse by the defendant of the patent and trade-secret law was the *only* basis Christianson asserted in the complaint for the alleged antitrust violation, and the *only* ground asserted for invalidity of the trade secrets was the withholding of information in contravention of § 112. (Emphasis added.)

PA-61, 798 F.2d at 1061 (7th Cir.).

Colt's claim in its Seventh Circuit brief that the complaint depended "entirely" on a § 112 violation is distressing because its Cross-Motion For Summary Judgment demonstrates that it knew much better. In its opening paragraph the cross motion specifically requested that the Court strike "plaintiffs' *affirmative defenses to Colt's counterclaims* relating to an alleged failure to comply with the patent laws and holding that Colt's proprietary drawings for the 'M16' rifle are valid and enforceable trade secrets." (Emphasis added). (JA-81) The closing paragraph also sought the striking of "plaintiffs' *affirmative defenses* relating to alleged deficiencies in Colt's patent disclosures." (Emphasis added). (JA-83-84)

Additionally, in the body of its cross-motion Colt recognized that the § 112 issue was a defense and not a part of the complaint. Colt also recognized that the § 112 issue was not the only means raised by Christianson to defeat its alleged trade secret claims. It said:

Plaintiffs assert, however, that Colt may not enforce its trade secrets rights in these drawings for two types of reasons:

(1) Colt's trade secrets should have been disclosed as a best mode for making the inventions set forth in patents owned by or assigned to Colt; and (2) the equitable defense of waiver, estoppel, and laches. Only the second *type of defense* should remain for trial. (Emphasis added.) (JA-82)

Nothing in Colt's cross-motion claimed that the § 112 issue was a matter appearing in the complaint. Moreover, the relief sought by Colt (JA-83, 84) did not include any request for relief as to the antitrust count of the complaint.

Since the very purpose of the cross-motion was to seek a definitive, favorable ruling on the § 112 issue, Colt would have obviously requested appropriate relief with respect to the complaint if it believed the § 112 issue was contained within it, and particularly if it believed, as it claimed in its Seventh Circuit brief, that the complaint depended "entirely" on the § 112 issue. Of course, as explained *supra* pp. 29-30, Colt never believed that the complaint, including ¶ 18, set forth a § 112 violation. That was why it sought to *admit* patent validity in its answer to ¶ 18.

Thus, while Colt fully understood that Christianson's anti-trust complaint contained no theory of a § 112 violation, and that this theory arose only in defenses to Colt's counterclaims relative to its alleged trade secrets, Colt attempted to and did succeed in misdirecting the Seventh Circuit to just the opposite conclusion: that the complaint depended "entirely" on a § 112 violation. Colt therefore has significantly contributed to the "back-and-forth battering" (PA-28, 822 F.2d at 1560 (Fed. Cir.)) that the parties have so far experienced, and Colt has significantly contributed to the Seventh Circuit's judgment that it had no jurisdiction of the appeal just as surely as if it had filed a formal motion for such a determination.

After this case was retransferred from the Seventh Circuit back to the Federal Circuit, Christian filed a Motion to dismiss. (JA-113) In the motion, the doctrine of *res judicata*, or at the least, its underlying policy considerations resulting from a prior determination of no jurisdiction by the Federal Circuit, was invoked. (JA-113) Dismissal was also sought "[b]ecause the Seventh Circuit has refused jurisdiction in response to false and misleading representations of Colt to manipulate jurisdiction," thus making a re-re-transfer back to the Seventh Circuit not "in the interest of justice" under § 1631. (JA-113).

In view of Colt's representations to the Seventh Circuit, the

motion to dismiss was well taken and should have been allowed once the Federal Circuit determined it had no jurisdiction. Christianson now requests this Court to direct the Federal Circuit to allow that motion since a further transfer to the Seventh Circuit pursuant to 28 U.S.C. § 1631 would only be appropriate "if it is in the interest of justice." Colt's conduct precludes such a finding. When a transfer is not in the interest of justice, the appeal should be dismissed. See *Bray v. United States*, 785 F.2d 989 (Fed. Cir. 1986) and *Little River Lumber Co. v. U.S.*, 7 Cl.Ct. 492 (1985).

IV. CONCLUSION

This court should vacate the decision, judgment, and mandate of the Federal Circuit for want of jurisdiction and order that the appeal be dismissed. Should this Court determine that the Federal Circuit was in error in concluding that it had no jurisdiction, then this Court should grant certiorari to review Question 2 presented in Christianson's Petition for Writ of Certiorari.

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IN THE
Supreme Court of the United States
OCTOBER TERM, 1987

**CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES, INC.,**
Petitioners,

vs.

COLT INDUSTRIES OPERATING CORP.,
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF ON THE MERITS

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QUESTIONS PRESENTED

1. Did the United States Court of Appeals for the Federal Circuit have jurisdiction of the appeal from the district court judgment entered on July 19, 1985?
2. Should the Federal Circuit have reexamined appellate jurisdiction after the Seventh Circuit's reasoned determination that the Federal Circuit had jurisdiction?

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IN THE
Supreme Court of the United States

OCTOBER TERM, 1987

CHARLES R. CHRISTIANSON and
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

vs.

COLT INDUSTRIES OPERATING CORP.,
Respondent.

ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RESPONDENT'S BRIEF ON THE MERITS

Citations to the opinions below, the judgments delivered in the courts below, and the grounds on which the jurisdiction of this Court is invoked are set forth at pages 1-2 of Petitioners' Brief on the Merits.

STATUTORY PROVISIONS

Citations to statutes are set forth at pages 2-3 of Petitioners' Brief on the Merits. In addition, the following statute and rule are pertinent to this case:

28 U.S.C. § 1292. Interlocutory decisions

(a) Except as provided in subsections (c) and (d) of this section, the courts of appeals shall have jurisdiction of appeals from:

(1) Interlocutory orders of the district courts of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, and the District Court of the Virgin Islands, or of the judges thereof, granting, continuing, modifying, refusing or dissolving injunctions, or refusing to dissolve or modify injunctions, except where a direct review may be had in the Supreme Court

(c) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction —

(1) of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title

Fed. R. Civ. P. 15(b). Amendments to Conform to the Evidence.

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues. If evidence is objected to at the trial on the ground that it is not within the issues made by the pleadings, the court may allow the pleadings to be amended and shall do so freely when the presentation of the merits of the action will be subserved thereby and the objecting party fails to satisfy the court that the admission of such evidence would prejudice the party in maintaining the party's action or defense upon the merits. The court may grant a continuance to enable the objecting party to meet such evidence.

STATEMENT OF THE CASE

The Federal Circuit had jurisdiction over Colt's appeal because the claim Christianson actually litigated and prevailed upon was based on patent law. Christianson asserted, and the district court found, that nine Colt patents were invalid for failure to disclose the manufacturing data necessary to mass produce interchangeable rifle parts. Based solely on its construction of 35 U.S.C. § 112 of the patent laws, the court concluded that trade secret protection of Colt's manufacturing data was pre-empted by the patent laws and the trade secrets should be disgorged. Without any further findings beyond the patent law violations, the district court imposed antitrust liability. Although this result was manifestly destructive to Colt's patent and trade secret rights, and to the rights of patentees in general, the appeal travelled from the Federal Circuit to the Seventh Circuit and back to the Federal Circuit on the jurisdictional question here under review.

There is no dispute that the patent issue is the focus of the case. The dispute is whether that issue arose in plaintiffs' case or in a subsequent responsive pleading. The majority of the Federal Circuit panel declined to look beyond the poorly drafted complaint and accepted plaintiffs' characterization of it as asserting a group boycott claim with no allegation of patent and trade secret invalidity under section 112. The majority nevertheless took jurisdiction on an "interest of justice" basis and decided the merits. The Seventh Circuit and the Federal Circuit dissenter found it necessary to look at plaintiffs' summary judgment motion and other matters outside of the incomplete complaint and found that Christianson "was relying on Colt's alleged noncompliance with § 112 as the basis for his own cause of action." (PA-62)¹

When the merits were finally reached after the "back-and-forth battering" on jurisdiction, (PA-28) they were readily and definitively resolved. Christianson's novel patent law conclusions were resoundingly rejected as "unprecedented," "preposterous,"

¹ References beginning with "PA" are to the Appendices to the Petition for Writ of Certiorari; those beginning with "JA" are to the Joint Appendix. Petitioners' Brief on the Merits will herein be referenced as "Pet. Br."

and "absurd." (PA-30, 37, 40) But after three appellate reviews and the lapse of almost three years, the jurisdictional issue still stands in the way of finally putting this patent law heresy to rest.

A. Colt's Patent and Trade Secret Rights

In 1959, Colt Industries Operating Corp ("Colt")² acquired a license for sixteen patents and other rights to manufacture the rifle design then known as the "AR-15." Over the next several years, Colt developed a mass-producible version of this design that the United States Army subsequently adopted as its standard assault rifle and designated the "M16." (PA-42) Colt continued to refine this product, and obtained additional patents for improvements, some of which cover inventions that have been incorporated into the rifle. In addition to its patent rights, Colt developed and maintained as trade secrets the manufacturing data consisting of the dimensions, tolerances, material specifications, and processes necessary to mass manufacture the numerous components of the rifle and to permit parts interchangeability. (JA-96-97)

Most of this manufacturing data is set out in engineering drawings for the parts and components, and Colt maintains the secrecy of this data by a variety of measures, including placing proprietary legends on these drawings. (JA-18-19) As the district court found, (PA-74) Colt contracts with vendors (such as Casting Engineers and Martin Marietta) to make some of the "M16" parts, but all of these contracts require the vendors to maintain the secrecy of Colt's manufacturing data and not to use Colt's drawings to sell "M16" parts to others. *See also* Seventh Circuit opinion at PA-42; JA-68-73, 97-98.³ Colt also requires all of its

² Colt Industries Operating Corp is a wholly owned subsidiary of Colt Industries Inc.

³ Colt has also licensed the United States government and the governments of Korea, Singapore, the Philippines, and Canada to manufacture "M16" rifles for their own use. (JA-19) Of the foreign licenses, all but Canada's have expired, but all of Colt's licensees and former licensees remain obligated to protect Colt's proprietary rights in the technical data needed to manufacture "M16" rifles.

(footnote continued)

employees to sign written agreements to maintain the confidentiality of Colt's trade secrets, even after they leave Colt's employ. (PA-42-43; JA-20-21) In addition, Colt enforces its proprietary and other rights by periodically reminding its vendors and licensees of their contractual obligations, by sending cease-and-desist letters to entities suspected of improperly dealing in "M16" parts, and by litigation. (PA-43; JA-68-75)

B. Christianson and the Springfield Litigation

Charles R. Christianson is a former Colt employee who, like other Colt employees, signed an agreement prohibiting him from disclosing or misusing Colt's trade secrets. (JA-29-34, 37-38) Having worked extensively with Colt's foreign licensees, he was very knowledgeable about and had ready access to this technical and manufacturing information. (JA-20-21, 37)* Within a month after leaving Colt in 1975, however, Christianson entered into "binding contracts" to obtain certain "M16" rifle parts from two Colt vendors in the United States (Casting Engineers and Martin Marietta) for resale to Colt's Philippine licensee. (JA-21-22, 38-39) Colt challenged Christianson's right to act as the intermediary in this transaction and the Philippine licensee's authority to obtain parts from United States vendors. Colt resolved the dispute by sending Christianson a letter limited to "the existing situation." Colt's letter withdrew Colt's objection to the filling of these "binding contracts," but expressly reserved Colt's rights "as to any future situations of this kind." (JA-63-65) Despite the fact that

(JA-19) Colt is currently in an arbitration with the Government of Korea regarding Korea's failure to pay royalties under its terminated license and Korea's attempts to continue to use Colt's proprietary technical data to make "M16" rifles in Korea and sell them elsewhere in the world. *Colt Industries Operating Corp v. The Government of the Republic of Korea*, International Centre for Settlement of Investment Disputes, No. ARB/84/2.

* Christianson specifically admitted having been aware that "Singapore, the Philippines and Korea obtained drawings and technical data through their licenses with Colt." (Answer ¶ 49, JA-37) He also admitted being aware that Colt placed restrictive legends on its engineering drawings and that he had "some awareness of the purported obligations of the Philippines and Korea." (Answer ¶ 51, JA-37)

this authorization was limited to specific 1975-76 transactions, Christianson continued, through the improper use of Colt's proprietary drawings, to supply parts to the Philippines and later to Singapore, and eventually to customers in the United States as well. (JA-22-23, 38-40)

Colt discovered this activity in 1983, after it learned that Springfield Armory, Inc. ("Springfield"), an Illinois corporation, was attempting to sell its own version of the "M16" rifle to the government of El Salvador. (PA-43) Colt commenced an action against Springfield and a related company in September 1983. (PA-3) In its complaint against the Springfield defendants, Colt asserted claims based on misappropriation of its trade secrets, as well as Lanham Act violations and patent infringement.

At a hearing in October 1983, the district court upheld Colt's trade secrets and granted a preliminary injunction against the Springfield defendants, finding incredible their defense that they had "reverse engineered" all the parts to the "M16" rifle. (PA-3, 43) Instead, the district court found that Springfield had simply copied Colt's proprietary drawings of "M16" parts. After the preliminary injunction was entered, Colt added Christianson and his company, International Trade Services, Inc. ("ITS") (collectively referred to herein as "Christianson"), to the *Springfield* lawsuit. (PA-3) Colt had learned in discovery that Christianson was one of Springfield's sources of supply for "M16" parts.

After the preliminary injunction hearing, the Springfield defendants and Christianson abandoned any attempt to prove reverse engineering. They instead adopted Colt's evidence on the near impossibility of reverse engineering this product. (PA-43-44) In their appeal from the preliminary injunction, the Springfield defendants instead raised their "novel theory" under 35 U.S.C. § 112 that Colt's patents should have disclosed sufficient information to enable them to mass produce Colt's "M16" rifle. (PA-3) This alleged section 112 violation, Springfield argued, gave Springfield the right to use Colt's trade secrets.

The Court of Appeals for the Federal Circuit rejected that theory, holding that "the evidence of record is totally lacking in

specifics" necessary to sustain a section 112 attack on Colt's patents, (JA-2) and unanimously affirming the preliminary injunction against the Springfield defendants.

While Springfield's appeal from the preliminary injunction was pending, Colt unsuccessfully attempted to extend the preliminary injunction to cover Christianson. The district court denied Colt's motion, primarily based on Christianson's assertions that he was out of business and therefore could cause no irreparable harm to Colt, and that Colt's alleged prior knowledge of his activities should amount to waiver, laches, and estoppel.⁵ See transcript of argument on Colt's motion for a preliminary injunction against Christianson, Court of Appeals Appendix, A-114-27. Colt thereupon voluntarily dismissed its suit against Christianson without prejudice. (PA-43) Within days, Christianson commenced a new action against Colt, and Colt reasserted the claims against Christianson that it had previously voluntarily dismissed. Christianson's new case was consolidated with the *Springfield* case "for discovery purposes and for trial." (JA-50-51)

C. Christianson's Complaint

Christianson's complaint, filed in May 1984, purports to be based on the antitrust laws. (JA-7) As the Seventh Circuit later observed, the "complaint was not artfully drafted. Even a cursory examination suggests that little attention was given to some rather important details." (PA-44) The Federal Circuit agreed. (PA-22) For example, the complaint contains no statement of the basis for federal jurisdiction (*i.e.*, 28 U.S.C. §§ 1331, 1332 or 1338). (PA-59) It has but a single cause of action that lumps together Sections 1 and 2 of the Sherman Act and does not articulate the elements of any particular antitrust theory. The complaint's only statement regarding market definition or market power is that

⁵ Both assertions were supported only by Christianson's own self-serving statements. As to one of these assertions, no independent evidence has ever been submitted in this case that Colt knew of Christianson's unauthorized arms dealings, which took place largely in the Far East. As to the other, subsequent discovery revealed that Christianson was not out of business, but was selling "M16" parts under another corporate name. (Court of Appeals Appendix, A-130-59, 183-88, 392-93)

"Colt controls nearly 100 % of the domestic and foreign manufacture, market and sale of" its own product, the "M16" rifle. (Complaint ¶ 12, JA-8)

The complaint acknowledges that "during the late 1950's and early 1960's, Colt acquired certain rights to inventions and patents to a 5.56mm. automatic rifle." (Complaint ¶ 14, JA-9) The complaint next asserts that Colt licensed the United States government and others "with respect to said patents, but said licenses have extended beyond the expiration time of the patents, most of which have now expired." (Complaint ¶ 15, JA-9) Christianson does not, however, state any claim based on Colt's licenses.⁶

The complaint continues with the assertion that "as of 1980, the basic patents with respect to the Colt rifle . . . had expired." (Complaint ¶ 17, JA-9)⁷ The Seventh Circuit later read the next

⁶ In the earlier *Springfield* case, Springfield had asserted that once Colt's "basic patents" with respect to the "M16" rifle had expired, Colt could not maintain any sort of monopoly with respect to the product. Any attempt to assert trade secret rights after the "basic patents" had expired would, according to Springfield, run afoul of the doctrine of *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), which Springfield interpreted to mean that once a patent expires, all trade secret rights in the product also expire. All the *Brulotte* line of cases holds, however, is that a patent holder who has licensed both his patent and trade secret rights may no longer be entitled to receive royalties after the patents expire. There is no authority for the proposition that trade secrets that are not disclosed in the patent become invalid upon a patent's expiration. See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974).

The remnants of this *Brulotte* argument appear to be the genesis for some of the language of Christianson's complaint. The language of paragraph 18, for example, first appeared in a section of Springfield's initial brief in opposition to Colt's motion for a preliminary injunction (p. 11), in the context of Springfield's argument that Colt's patents had in fact disclosed all the technology necessary to manufacture an "M16" rifle, and that "unless Colt Industries' patents have been invalid all these years," this technology passed into public use upon the expiration of Colt's "basic patents."

⁷ Actually, six of the Colt patents Christianson attacked on the summary judgment motion were unexpired at the time of the complaint, Nos. 3,236,155; 3,292,492; 3,301,133; 3,366,011; 3,440,751; and 3,453,762. (Court of Appeals Appendix, table of contents)

allegation as claiming patent and trade secret invalidity, while the Federal Circuit read it as alleging validity:

18. The validity of the Colt patents had been assumed throughout the life of the Colt patents through 1980. Unless such patents were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. § 112), in 1980, when such patents expired, anyone "who has ordinary skill in the rifle-making art" is able to use the technology of such expired patents for which Colt earlier had a monopoly position for 17 years.

(JA-9)⁸ The complaint also makes reference to the limited permission that Colt gave ITS with respect to the 1975-76 sale of parts to the Philippines. Compare complaint ¶¶ 20-21, JA-9-10 with JA-63-65.

The acts of defendant that are alleged to form the basis for antitrust liability are all set forth in paragraph 22, (JA-10) and consist of Colt's attempts to enforce its trade secrets and other rights with respect to the "M16" rifle. These acts fall into two categories: (1) sending correspondence to customers and potential customers of ITS claiming that it would be illegal to do business with Christianson and ITS, including correspondence "asserting illegally [Colt's] claimed rights over M16 drawings, specifications and parts and accessories to the M16,"⁹ and (2) filing

⁸ As the Seventh Circuit noted in analyzing these allegations, if Christianson only meant to say that Colt's patents were valid, he was not merely anticipating Colt's defense that its patents were valid. (PA-62) There would be no reason for Christianson to say anything in his complaint about Colt's patents if he did not attach some other significance to the fact that Colt had patents. The significance would appear to be Christianson's view that trade secrets should not be viable upon the expiration of a patent.

⁹ Christianson has included in the Joint Appendix examples of the correspondence referred to in the complaint. They consist of a letter from Colt reminding its vendors of the restrictions in their contracts, including their obligation not to use Colt's "M16" drawings or specifications to make or sell parts to third parties, (JA-73) and letters from Colt's lawyers to Christianson's customers, putting

(footnote continued)

a lawsuit against Christianson and ITS and voluntarily dismissing that lawsuit. Thus, the liability-provoking conduct on its face appears to be nothing more than Colt's campaign to protect its proprietary rights.

The complaint contains no allegations of a conspiracy or concerted action among Colt and its competitors, but merely states that in response to Colt's "unlawful" demands, suppliers and customers of ITS had "agreed with Colt to refrain from supplying and purchasing M-16 parts and accessories to or from ITS" (Complaint ¶ 23, JA-11) In other words, Christianson's customers and suppliers acceded to Colt's alleged demands that they refrain from doing business with Christianson, and this "agreement" had the effect of driving Christianson out of business.

D. Christianson's Motion for Summary Judgment

In the district court, Christianson did not supplement or develop the purported antitrust theory of his complaint. Instead, Christianson attempted to meet the challenge of the Federal Circuit's decision in the *Springfield* case by providing the missing evidence, patent by patent, that the patents fail to satisfy 35 U.S.C. § 112. (JA-2) Thus, Christianson filed a motion for summary judgment purporting to prove a section 112 theory according to the Federal Circuit's "guidelines" in the *Springfield* appeal and even argued that the *Springfield* decision was law of the case. (JA-77, 90)¹⁰ This motion also sought to establish Christianson's newly-added tortious interference with contract claim. (JA-4, 57-59)

Christianson did not articulate any antitrust theory in his motion for summary judgment, or even seek summary judgment

them on notice of Colt's trade secret rights. (JA-68-73) As distinct from the patent/trade secret validity issue, this is essentially all the evidence of Colt's conduct in support of antitrust and tortious interference liability.

¹⁰ The patents attacked were not the basic ones, which predated the development of the manufacturing data that Christianson wanted disclosed. He attacked the later patents, which concerned improvements and accessories to the "M16."

on antitrust liability. His briefs were bereft of antitrust analysis and were wholly devoted to patent law. See tables of contents: JA-76-80, 85-91. Christianson's motion sought to establish by this patent law theory "that Colt's trade secrets are invalid and that plaintiff's claim of invalidity shall be taken as established with respect to all claims and counterclaims to which said issue is material." (JA-58) (emphasis added)

Colt cross-moved for summary judgment that "Colt's proprietary drawings for the M16 rifle are valid and enforceable trade secrets," since the only trade secret invalidity argument advanced, namely section 112, was defective as a matter of law. (JA-81)¹¹ Colt's cross-motion also sought summary dismissal of Christianson's newly added tortious interference claim, on the ground that a claim based solely on Colt's cease-and-desist letters to suppliers and sellers of alleged "M16" parts failed to satisfy the requisite element of malice. (JA-83) Because "neither the patents nor the trade secrets have ever been invalidated, Colt was entitled to enforce them by advising third parties of its rights and the bona fide assertion of claims." (JA-83) Nothing was said about antitrust law in either Christianson's motion or Colt's cross-motion.

E. The District Court Decision

In May 1985, the district court granted plaintiff summary judgment. The district court accepted Christianson's novel theory that Colt's patents failed to satisfy 35 U.S.C. § 112 because they did not disclose the dimensions, tolerances, and specifications of Colt's commercial product, the "M16" rifle. (PA-73-91) The district court found the patents deficient not because any of them failed to disclose sufficient information to allow persons skilled in the art to practice the claimed inventions, but rather on the ground that

¹¹ Colt acknowledged in its cross-motion that Christianson's *defenses* to Colt's counterclaims, of waiver, estoppel, and laches — defenses that Colt had not diligently policed Christianson's mischief (*supra* n.5 and accompanying text) — would remain for trial. (JA-82) Contrary to petitioners' suggestion, (Pet. Br. 42-43) Colt did not thereby acknowledge that the waiver defenses were being used affirmatively in the complaint to establish trade secret invalidity — nor could they. In any event, the only theory of trade secret invalidity on which Christianson sought judgment was §112.

Colt's product was "unique." (PA-75) There was absolutely nothing in the record, however, indicating that "M16" rifles are unique — either among rifles, or among many other products — in requiring interchangeable parts or in being difficult to reverse engineer. Indeed, the record reflects the obvious fact that many mass-manufactured products have these characteristics.

More importantly, none of the patents at issue claimed interchangeability as an invention. Nevertheless, without discussing the claims of any patent, the court found each of the challenged patents "invalid from its inception," because they did not enable the manufacture of interchangeable parts. (PA-89) Based on that conclusion and the discredited doctrine that patent law pre-empts state trade secret law, *see Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 492 (1974), the district court held that Colt should no longer be permitted to maintain any trade secrets pertaining to "M16" rifles, whether or not those trade secrets should have been disclosed in any particular patent. (PA-87-88)¹² Without any further discussion, the court leaped to the conclusion that final judgment on liability on both the antitrust count and the tortious interference count was appropriate. In finding antitrust liability, the court did not discuss any antitrust issues, such as market definition, market power, or concerted activity.¹³ The court also entered summary judgment on plaintiff's tortious interference

¹² The court's narrower conclusion, that because the dimensions, tolerances, and other specifications necessary to assure parts interchangeability were not disclosed in the patents, they could no longer be maintained as trade secrets, was supported only by the 1920 Michigan Supreme Court case *Dow Chemical Co. v. American Bromine Co.*, 210 Mich. 262, 177 N.W. 996 (1920), which had not been cited for that proposition by a single federal court in the 65 years since it was written. Even *Dow Chemical* held the trade secrets at issue unenforceable on a number of other grounds, including the plaintiff's failure adequately to safeguard the secrecy of its processes and its delay in asserting that the processes were secret. That case does not support the proposition that a § 112 violation, standing alone, would permit a court to invalidate the party's trade secrets.

¹³ The district court's opinion uses the word "monopoly" in several places, but appears in each case to be referring to Colt's patent monopoly. (PA-78, 80, 88) and liability appears to flow automatically from an improper extension of a "limited monopoly under the patents" and "flagrant abuse of the patent laws." (PA-87, 90)

claim, even though the sole evidence of tortious interference consisted of Colt's cease-and-desist letters and litigation to protect its trade secrets.

The district court entered its "final judgment on liability" on July 19, 1985, declaring nine Colt patents invalid and "all trade secrets relating to the M16" unenforceable and disgorged.¹⁴ The court permanently enjoined Colt from enforcing "any form of trade secret right in any technical information relating to the M16," and ordered Colt to provide to Christianson all requested technical information relating to the "M16" rifle in existence prior to the entry of the order. Pursuant to Fed. R. Civ. P. 62(c), the district court stayed its judgment on liability and its injunction pending Colt's appeal. (JA-100-01)

F. Colt's Appeal to the Federal Circuit

Colt filed its appeal in the Court of Appeals for the Federal Circuit because the claims upon which the district court's judgment was based were wholly predicated upon a construction of the patent laws.¹⁵ Faced with a decision "destructive to the rights

¹⁴ The Federal Circuit was mistaken in its impression that Colt had "requested a holding that its own patents . . . were invalid." (PA-6) In comments on the form of judgment, Colt suggested that the judgment specifically list the patents the court had invalidated, because it was not at all clear either from Christianson's motion (which analyzed ten patents as a "representative portion" of the unspecified "remaining patents") or from the court's decision (which dealt with no specific patents) exactly which patents were declared "invalid from . . . inception." (Pet. Br. 7; PA-89; Defendant's Comments on Plaintiffs' Proposed Final Judgment on Liability, dated July 3, 1985, ¶ 5; Plaintiffs' Memorandum in Support of ITS Motion for Summary Judgment on the Unenforceability of the Alleged M16 Trade Secrets at 45-46) At a hearing on the form of the judgment, Christianson clarified that only nine of the patents had been invalidated. (Transcript of Hearing on Form of Judgment, held July 19, 1985, at 8-9) At the time of the district court's judgment, five of the nine invalidated patents were still unexpired.

¹⁵ Colt predicated jurisdiction of its appeal on 28 U.S.C. § 1292(a)(1), which, *inter alia*, grants jurisdiction to the courts of appeals from interlocutory orders "granting, continuing, modifying, refusing or dissolving injunctions . . ." This

(Footnote continued)

of patentees" in general (PA-40) and devastating to Colt's patent and trade secret rights in particular.¹⁶ Colt sought expedition at every step in the appellate process and at no time challenged the jurisdiction of either appellate court. (JA-102-09) Colt filed its opening brief in the Federal Circuit a month early and requested expedited consideration of the merits. (JA-102-04) Christianson succeeded in opposing that motion and obtaining a stay of briefing of the merits pending consideration of Christianson's motion to transfer the appeal to the Seventh Circuit.

The Federal Circuit granted Christianson's motion to transfer on December 4, 1985, in an unpublished opinion stating only that: "Having reviewed the submissions of the parties, as well as the pleadings filed in the district court, this court can discern no basis for jurisdiction in the Court of Appeals for the Federal Circuit." (PA-63)

G. The Seventh Circuit Decision

In the Seventh Circuit, Colt again requested expedited treatment, (JA-105-09) which was granted. (JA-110) Colt did not challenge the Seventh Circuit's jurisdiction. At oral argument, the court *sua sponte* raised the jurisdictional issue and, on August 19, 1986, ordered the appeal retransferred to the Federal Circuit. (PA-41)

The Seventh Circuit decided first, that it was not bound by the Federal Circuit's transfer order of December 4, 1985, because

statute also grants exclusive jurisdiction to the Court of Appeals for the Federal Circuit "of an appeal from an interlocutory order or decree described in subsection (a) or (b) of this section in any case over which the court would have jurisdiction of an appeal under section 1295 of this title"

¹⁶ The rights expunged by the district court were and still are licensed by Colt to the United States government and to Canada, and are the subject of disputes with former licensees like the Republic of Korea, which has used the district court's § 112 theory to claim that it is free to ignore its contractual obligations and Colt's patents and trade secrets and make and sell "M16" parts anywhere in the world. See JA-103; *Colt Industries Operating Corp v. The Government of the Republic of Korea*, International Centre for Settlement of Investment Disputes, No. ARB/84/2.

the Federal Circuit's decision was "clearly wrong" and because its summary order "has considerably less persuasive force than a full opinion on the complex questions presented." (PA-51, 53 n.7) Since Christianson's complaint was "astoundingly brief" (PA-45) and was "not artfully drafted," (PA-44)¹⁷ the court looked beyond the pleadings to fill in the "'necessary' allegations" and "substance." (PA-58) The court considered "arguments made outside the pleadings," (PA 58-59) including Christianson's motion for summary judgment, in order to supply the omitted but necessary allegations:

The crux of the plaintiff's case is that, by failing to make the necessary disclosures under § 112, Colt is extending its exclusionary rights beyond the 17-year life of the M16 patents, a result inconsistent with the objectives of the patent system. Christianson's allegations (especially those concerning the antitrust violations) are completely inconsistent with the position that Colt *complied* with § 112 and that it is now attempting to maintain as trade secrets information already in the public domain due to the disclosures in the relevant patent applications. We agree, therefore, with the district court's statement that the plaintiff's position was that Colt, due to its failure to make full disclosures of its claims of invention, could not assert its claims of trade secrecy against Christianson.

(PA-60-61) (emphasis in original) Rejecting as "disingenuous" Christianson's position that section 112 was raised only in response to a Colt defense, (PA-61) the Seventh Circuit held that Christianson "was relying on Colt's alleged noncompliance with § 112 as the basis for his own cause of action." (PA-62) The case therefore arose under the patent laws and the Seventh Circuit transferred the appeal back to the Federal Circuit.

¹⁷ The Seventh Circuit apparently meant only that the complaint was poorly drafted. The court did not expressly discuss the "artful pleading" doctrine raised, for example, in *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 397 n.2 (1981).

H. The Federal Circuit Decision

Upon retransfer, Colt again moved for and obtained an expedited schedule. (JA-112) Christianson again made a jurisdictional motion, this time to *dismiss* the appeal,¹⁸ and the parties argued the merits for a second time. (JA-112) The Federal Circuit denied Christianson's motion to dismiss and held that, even though the court disagreed with the Seventh Circuit's decision on jurisdiction, a decision on the merits rather than a third transfer was "in the interest of justice." (PA-27-28, 36) Judge Nichols dissented from the panel's jurisdictional analysis, and would have found jurisdiction by accepting the Seventh Circuit's decision as being the "first fully articulated view" on the issue. (PA-39)

On the merits, there was absolute unanimity. Despite the majority's view that this was not a patent case, the analysis of the merits was devoted entirely to patent law construction and application. The Federal Circuit held that "[t]he district court's view that Colt violated section 112, by failing to disclose in each of its nine patents all its dimensions, tolerances, and production drawings needed to mass produce the M-16 rifle, rest[ed] on an error of law." (PA-31) The district court's critical error was its failure to measure patent disclosure by the claimed inventions. (PA-33)

Instead, as the Federal Circuit held, the district court had focused on the wrong issue: whether the patents disclosed sufficient information to enable the mass production of parts interchangeable with those used in Colt's commercial product. The Federal Circuit noted that "interchangeability with M-16 parts appears nowhere as a limitation in any claim." (PA-33) Therefore, "there is nothing whatever to indicate that Christianson is unable to make and use the *claimed* inventions." (*Id.*) (emphasis in original) The Federal Circuit found that "there was *no testimony* and *no evidence* indicating that the disclosures in the involved patents do not enable one skilled in the art to practice the

¹⁸ Even though Colt had not challenged the Seventh Circuit's jurisdiction, Christianson argued to the Federal Circuit that the jurisdictional statement in Colt's brief had somehow misled the Seventh Circuit into adopting an erroneous interpretation of Christianson's complaint and that dismissal was therefore warranted. (JA-114)

inventions disclosed and *claimed* in those patents." (*Id.*) (emphasis in original) Section 112 requires no more. Nor could the Court of Appeals discern any policies of the patent system that would require the detailed disclosure Christianson sought:

[T]he law has never required that a patentee who elects to manufacture its claimed invention must disclose in its patent the dimensions, tolerances, drawings, and other parameters of mass production not necessary to enable one skilled in the art to practice (as distinguished from mass-produce) the invention. Nor is it an objective of the patent system to supply, free of charge, production data and production drawings to competing manufacturers. And that is well, for such a requirement would be irrational. Many inventions are never manufactured; the decision to manufacture may be taken well after the patent has issued; printing a thousand or more documents in the patent would often be required. For those and other reasons, the law requires that patents disclose inventions, not mass-production data, and that patents enable the practice of inventions, not the organization and operation of factories. The requirement for disclosure of sufficient information to enable one skilled in the art to practice the best mode of the *claimed* invention is and has been proven fully adequate for over 150 years.

(PA-32) (emphasis in original)

As the Federal Circuit found, "[t]he district court's only basis for invalidating Colt's claim to production trade secrets was its view that failure to disclose them constituted noncompliance with section 112." (PA-34) There being no basis for finding a section 112 violation, no basis remained for the district court's rulings invalidating Colt's patents and trade secrets or finding Colt liable for antitrust violations. (PA-35) The Court of Appeals therefore reversed and vacated the district court's decision in its entirety.¹⁹

¹⁹ As one commentator observed, the Federal Circuit's decision "returned patent and trade secret laws back to normal and avoided a legal situation that

Footnote continued

While Colt's rights were finally reinstated, it took two full years to overturn a decision the Federal Circuit labelled as "irrational," "preposterous," and "absurd." (PA-32, 37, 40) Even though the district court's decision was stayed pending appeal, Colt's five unexpired patents and all its trade secrets remained under a cloud because of the jurisdictional impasse. At least one of Colt's former licensees, the Government of the Republic of Korea, attempted to rely upon Judge Morgan's erroneous decision to deny Colt its ability to enforce the trade secrets and to receive royalties. Indeed, Korea has taken the position, in an arbitration with Colt, that the Federal Circuit's decision is a nullity and that Judge Morgan's decision still stands. See *supra* n.16.

SUMMARY OF ARGUMENT

Both circuit courts found Christianson's complaint to be badly drafted and incomplete. Its necessary allegations, however, are revealed by its genesis in the related *Springfield* litigation, by Christianson's summary judgment motion, and by the decision on liability. Those allegations include, as the crux of the case, the invalidity of Colt's patents and trade secrets due to Colt's purported failure to comply with section 112 of the patent laws. Thus, this case arose under the patent laws, placing jurisdiction over Colt's appeal in the Federal Circuit.

The acts of Colt complained of by Christianson, and on which antitrust liability was premised — sending enforcement letters and commencing litigation to protect trade secret rights — could not form the basis for antitrust or tort liability if Colt's trade secrets were presumed to be valid. Indeed, the complaint affirmatively alleges that Colt's "claimed rights over M16 drawings" were asserted "illegally." (Complaint ¶ 22(c), JA-10) Moreover, Christianson never challenged the validity of Colt's trade secrets on any ground other than Colt's failure to disclose them in its patent applications. As the Seventh Circuit recognized, Christianson's allegations do not support a cognizable antitrust claim in

indeed would have been 'irrational.' — M. Jager, *Trade Secrets Law* § 10.01[1] at 10-5-10-6 (1987). During the nearly two years that the district court's decision was on the books, it was not cited in a single reported decision.

the absence of an affirmative assertion of trade secret invalidity, and the only theory offered to invalidate the trade secrets depended on section 112. Christianson's complaint, well-pleaded, should be read to include these necessary allegations.

Even if section 112 allegations were not expressed in the complaint, the district court's finding of liability obviously depended on finding Colt in violation of the patent laws. The pleadings should therefore be deemed amended by the proof Christianson presented in support of his summary judgment motion, and by the district court's decision. Because the district court imposed "antitrust" and tort liability based entirely on its finding that Colt committed a "flagrant abuse" of section 112 of the patent laws, Colt's appeal belonged in the Federal Circuit.

Christianson cannot avoid Federal Circuit jurisdiction over this fundamentally patent-based claim by calling his complaint — for the first time on appeal — a group boycott claim. The necessary allegations of a group boycott claim do not appear in the complaint; no proof was offered on any issues essential to finding a group boycott; and the district court's decision plainly did not rely on a group boycott analysis.

Instead, the theory of liability presented to the district court was essentially an attempt to win the section 112 argument that Christianson's co-defendants in the *Springfield* case had lost only a few months earlier. Requiring Colt to take the second appeal testing this same theory to a regional circuit would have been particularly inconsistent with the purpose of the jurisdictional statute: to promote uniformity of patent decisions and discourage forum shopping in the patent area.

Finally, Colt had an unquestioned right of appeal to a court of appeals and the district court's decision on the merits cried out for swift reversal. In this circumstance — and where a novel claim was based on several different areas of law and fit into no recognizable category — the law of the case doctrine should have prevented a transferee court from revisiting a decided jurisdictional issue and subjecting the parties to a "back-and-forth battering." (PA-28) The Federal Circuit was therefore correct to decide the merits not only because rendering a decision was "in the interest of justice," but also because its sister court

had already determined, in the first fully articulated opinion on the subject, that Christianson's case in fact arose under the patent laws.

ARGUMENT

I.

THE FEDERAL CIRCUIT HAD JURISDICTION OVER COLT'S APPEAL.

A. *The Federal Circuit Has Jurisdiction Over Cases Arising Under the Patent Laws.*

The Federal Circuit has exclusive jurisdiction over appeals in cases where the district court's jurisdiction was based, "in whole or in part," on a patent or plant variety claim under 28 U.S.C. § 1338. 28 U.S.C. §§ 1292(c), 1295(a)(1).²⁰ Congress intended that cases arising under the patent laws "will be within the jurisdiction of the Court of Appeals for the Federal Circuit in the same sense that cases are said to 'arise under' federal law for purposes of federal question jurisdiction." H.R. Rep. No. 312, 97th Cong., 1st Sess. 41 (1981).²¹

²⁰ The district court's order in this case was appealable under 28 U.S.C. § 1292 because of its injunctive provisions. Although the order is titled a "final judgment on liability," it did not resolve all issues and would not appear to be appealable under § 1295. Section 1295 is important only insofar as it is incorporated by reference in § 1292(c).

²¹ Although the test for determining Federal Circuit jurisdiction may be similar to the test for determining federal question jurisdiction in the district courts, it is important to recognize that the consequences of these determinations are very different in each context. All that is at stake where Federal Circuit jurisdiction is at issue is *which* federal appellate court will hear an appeal. On the other hand, where federal question jurisdiction is at issue, principles of state sovereignty and constitutional issues of federalism come into play. See *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 106 S. Ct. 3229, 3233 (1986) ("determinations about federal jurisdiction require sensitive judgments about congressional intent, judicial power, and the federal system"); see also *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 407 (1981) (Brennan, J., dissenting); see generally Cihlar & Goldstein, *A Dialogue About the Potential Issues in the Patent Jurisdiction of the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 284, 286 (1982).

The Federal Circuit has construed the jurisdictional provisions of the Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, 96 Stat. 25 (1982), to mean that it has "case" jurisdiction, as opposed to "issue" jurisdiction. *Atari v. JS & A Group, Inc.*, 747 F.2d 1422 (Fed Cir. 1984) (*en banc*).²² In other words, as long as at least one claim in the complaint arises under the patent laws, the Federal Circuit will hear all appeals in that case. See also Seventh Circuit opinion at PA-54. Therefore, even if Christianson asserted more than one theory of liability in his complaint, all appeals in the case should be heard by the Federal Circuit as long as at least one of Christianson's theories arose under the patent laws.

A suit may arise under the patent laws if it actually "arises under the law that creates the cause of action." *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916) (Holmes, J.). Christianson argues that his cause of action does not fit within any recognized statutory patent law claim, (Pet. Br. 23 n.11) and both circuit courts found that this case did not "arise under" the patent laws under the Holmes "creation" test. (PA-8, 59-60) As discussed *infra* at 28-29, however, the district court appears to have dealt with an implied cause of action created by the patent laws.

Even apart from the "creation" test, a claim may still be found to arise under the patent laws in cases where the plaintiff seeks to vindicate a right under some other law "that would be defeated by one or sustained by an opposite construction of [the patent] laws." *Beghin-Say International Inc. v. Rasmussen*, 733 F.2d 1568, 1570 (Fed. Cir. 1984).²³ As this Court recognized in *Franchise Tax*

²² Another reading of the Federal Circuit's statutory authority would give that court jurisdiction not over all cases that include patent claims, but over all appeals raising patent issues. If this Court should determine that the Federal Circuit has "issue" jurisdiction similar to the jurisdiction of the Temporary Emergency Court of Appeals, see *Coastal States Marketing, Inc. v. New England Petroleum Corp.*, 604 F.2d 179 (2d Cir. 1979), this case would be quickly resolved.

²³ The test for patent jurisdiction articulated by the Federal Circuit in *Beghin-Say* has been applied by this Court in patent cases. See, e.g., *Excelsior Wooden* (footnote continued)

Board of California v. Construction Laborers Vacation Trust for Southern California, 463 U.S. 1, 13 (1983), where a state law claim contains a federal law element, the claim may still "arise under" federal law if "it appears that some substantial, disputed question of federal law is a necessary element of one of the well-pleaded state claims" *Id.* The federal element must be "basic" and "necessary," as opposed to "collateral" or "merely possible." *Gully v. First Nat. Bank in Meridian*, 299 U.S. 109, 118 (1936). See also *Hunter v. United Van Lines*, 746 F.2d 635, 646 (9th Cir. 1984), *cert. denied*, 474 U.S. 863 (1985) and cases cited therein.

This Court's decision in *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 106 S. Ct. 3229 (1986), is consistent with this analysis. In *Merrell Dow*, the only federal allegation was that the defendant's failure to label a drug in accordance with the Federal Food, Drug, and Cosmetic Act constituted a "rebuttable presumption of negligence," thus helping to establish one element of a tort claim. *Id.* at 3231. This Court held that the mere presence of this evidentiary issue "as an element of the state tort is not the kind of adjudication for which jurisdiction would serve congressional purposes and the federal system." *Id.* at 3235-36.

In *Merrell Dow*, this Court applied a test for federal "arising under" jurisdiction that measured the *significance* of the federal element in a state claim. *Id.* The pragmatic test was articulated by Justice Cardozo in *Gully*: "a selective process which picks the substantial causes out of the web and lays the other ones aside." 299 U.S. at 117-18 (quoted in *Merrell Dow*, 106 S. Ct. at 3235). Under that test, the patent law element of Christianson's claim

Pipe Co. v. Pacific Bridge Co., 185 U.S. 282, 286 (1902); *Henry v. A.B. Dick Co.*, 224 U.S. 1, 16 (1912).

In the analogous area of federal question "arising under" jurisdiction, a similar test has been used to define the constitutional limits of federal jurisdiction, although 28 U.S.C. § 1331 has been construed more narrowly. See, e.g., *Verlinden B.V. v. Central Bank of Nigeria*, 461 U.S. 480, 494-95 (1983). The legislative history of 28 U.S.C. § 1295 supports the less restrictive construction of "arising under" jurisdiction, where there is no tension between federal and state courts, but only a choice to be made between the regional courts of appeals and the Federal Circuit.

is of paramount significance. Patent law questions are "substantial" and "necessary element[s]" of Christianson's claim, in that he had to "establish both the correctness and the applicability [of those patent law precepts] to his case." *Franchise Tax Board*, 463 U.S. at 9, 13. Indeed, Christianson does not dispute the significance of the section 112 issue.²⁴ His argument is only that this critical issue arose in response to Colt's defense, and not in the complaint.

Christianson's patent theory should properly be viewed as the essential part of his affirmative claim for relief because (1) under the well-pleaded complaint rule, the courts are not restricted to the language of the complaint, but are obliged to fill in its necessary allegations, (2) the court of appeals is also required to consider the claim that formed the actual basis of liability, and thus deem the complaint amended by the district court's decision, and (3) the complaint would not state an antitrust claim at all, if it were limited to what Christianson now says it means.

B. The "Well-Pleaded" Allegations of the Complaint Depend on the Patent Laws.

Both the Seventh and the Federal Circuits considered whether this case arose under the patent laws in terms of the "well-pleaded complaint" doctrine, "which requires that the plaintiff's complaint establish that the case 'arises under' federal law." (PA-57)²⁵ The

²⁴ Christianson conceded in his transfer motion that the § 112 issue "is the focus of this case." (Appellee's Reply to Appellant's Opposition to Appellee's Motion to Transfer at 2)

²⁵ One commentator has suggested, however, that the Federal Circuit should not be bound by the well-pleaded complaint rule, arguing that the rule "is inconsistent with the congressional mandates to avoid bifurcation of appeals, to avoid specialization, and to avoid forum-shopping." Hale, *The "Arising Under" Jurisdiction of the Federal Circuit: An Opportunity for Uniformity in Patent Law*, 14 Fla. St. U.L. Rev. 229, 263 (1986).

The stricter contours of well-pleaded complaint doctrine have evolved in the context of removal jurisdiction, which differs from Federal Circuit jurisdiction in significant ways. See, e.g., *Caterpillar Inc. v. Williams*, 107 S. Ct. 2425 (1987);

(footnote continued)

theory of Christianson's complaint, however, is not easy to discern from the written pleading.

Both appellate courts criticized the manner in which the complaint was drafted. The Seventh Circuit noted that "[e]ven a cursory examination of the pleading suggests that little attention was given to some rather important details. . . . In addition, given the complexity of the factual and legal questions presented, the complaint is astoundingly brief." (PA-44-45) The Federal Circuit agreed that the complaint was poorly drafted (twice echoing the Seventh Circuit's comment that it was "inartful") and added that the key paragraph containing patent language was both "convoluted" and "disjointed." (PA-4, 22) It is clear from the complaint only that liability is premised on Colt's acts of protecting its claimed rights in the "M16" rifle by enforcing its restrictive contracts with suppliers, by sending letters to third parties, and by litigation. The *theory* of liability is not clearly stated: it may be based on either Section 1 or Section 2 of the Sherman Act; it may be based on an improper extension of Colt's patents; or it may be based on the assertion of invalid trade secret and patent rights.

It is appropriate, under the well-pleaded complaint rule, for a court to look to the record to elucidate a theory of liability that may not be stated clearly in the complaint. Where the "factual predicate" for a legal theory exists, the court may look beyond the complaint to gain a better understanding of that theory. See *Bender v. Williamsport Area School District*, 475 U.S. 534, 547 (1986). The Federal Circuit has held that "[s]ubstance, not form, controls our [jurisdictional] determination," and that it should

Metropolitan Life Insurance Co. v. Taylor, 107 S. Ct. 1542 (1987); *Franchise Tax Board of California v. Construction Laborers Vacation Trust for Southern California*, 463 U.S. 1 (1983). The relevant inquiry has been whether or not federal law pre-empts state law so completely as to warrant removal to federal court of an action commenced in state court by a complaint pleaded in terms of state law. Most importantly, the removal area is the quintessential area where federal question issues must be resolved with sensitivity to underlying principles of federalism. See *supra* n.21.

"recharacterize pleadings which would improperly evade the intent of Congress." *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331, 333 (Fed. Cir. 1984); see also *In re Snap-On Tools Corp.*, 720 F.2d 654, 655 (Fed. Cir. 1983); *Air Products & Chemicals, Inc. v. Reichhold Chemicals, Inc.*, 755 F.2d 1559, 1561 (Fed. Cir. 1985), *cert. dismissed*, 473 U.S. 929 (1985).

As the Seventh Circuit explained in this case: "We . . . are to consider the 'well-pleaded' allegations *necessary* to the substance of the plaintiff's claim. These 'necessary' allegations may or may not appear in the actual complaint." (PA-58) (emphasis in original)²⁸ In this case, the "well-pleaded" complaint must include an allegation of trade secret invalidity. Christianson's complaint would not even make sense if it only alleged that Colt was engaged in an effort to protect valid trade secrets. See Seventh Circuit opinion, PA-62 n.14. In fact, the complaint alleges that Colt sent letters that "assert[ed] *illegally* its *claimed* rights over M-16 drawings . . . and *falsely* stating that 'Colt's right' to proprietary data had been 'consistently upheld in various courts.'" (JA-10) (emphasis supplied) To remove the italicized adjectives and adverbs from this allegation would eliminate its bite.

As the Seventh Circuit found, if the interpretation of his complaint Christianson asserts on appeal were to be sustained, "then

²⁸ In some cases where allegations are omitted from a complaint, the "artful pleading" doctrine has been employed to prevent the plaintiff from manipulating jurisdiction. "[C]ourts 'will not permit plaintiff to use artful pleading to close off defendant's right to a federal forum.'" *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 397 n.2 (1981) (citation omitted). Thus, a plaintiff may not disguise the true nature of his claims to evade jurisdictional rules. See, e.g., *Treadaway v. Academy of Motion Picture Arts & Sciences*, 783 F.2d 1418, 1421 n.3 (9th Cir. 1986). Where, as here, a plaintiff purports to have pleaded one theory, but proved another, his complaint should be deemed "artful."

It has been suggested that where Federal Circuit jurisdiction is concerned, the artful pleading doctrine should be applied more readily than it might be in other circumstances, to enforce the congressional policy of preventing forum shopping. See Cihlar & Goldstein, *A Dialogue About the Potential Issues in the Patent Jurisdiction of the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 284, 287, 297 (1982).

Colt (1) has not improperly extended its patent monopoly by way of trade-secret law and (2) has simply engaged in a vigorous campaign to protect its allegedly proprietary information." (PA-61) The Federal Circuit also recognized that "Christianson had to and did mean that Colt was using an invalid claim to *trade secrets* to extend its monopoly. . . ." (PA-23) (emphasis in original) Plainly, Christianson's complaint was not merely alleging that Colt was protecting valid trade secrets.²⁷

Although the section 112 theory Christianson used to invalidate the trade secrets can be discerned from the language of the complaint, (Seventh Circuit opinion, PA-61-62) it comes to life upon examination of Christianson's "arguments made outside the pleadings." (PA-58) The theory of liability Christianson argued in his motion for summary judgment depended first and foremost upon showing that Colt failed to disclose the manufacturing data necessary to ensure parts interchangeability in certain patent applications. Based solely on that showing, Christianson argued, Colt's trade secrets should be invalidated. It was appropriate to consider this argument as a means of filling in the missing allegations of Christianson's complaint.

²⁷ Christianson suggests that one reason he did not need to show that the trade secrets were invalid was because he had access to them for eight years and had used them with Colt's permission. (Pet. Br. 31-34) Those issues, however, are relevant only, as Colt stated in its cross-motion for summary judgment, to Christianson's *defenses* to Colt's counterclaims for misappropriation of trade secrets, breach of contract, and interference with Colt's vendor contracts. (JA-82) Christianson's antitrust claim is not aided by the assertion that he had access to the trade secrets: if the trade secrets are valid, and Christianson obtained them improperly, Colt was still entitled to try to prevent Christianson from continuing to use them.

The "permission" issue is also a red herring because Christianson at most based his complaint only in part on the withdrawal of permission to use the trade secrets. (JA-9-10) The permission letter on its face limits Christianson to specific "binding contracts" existing in 1975. See *supra* 5. It is hardly a perpetual worldwide license that Colt "revoked" eight years later. But even if an antitrust claim could be built on this conduct, (1) it has not been litigated in this case, and (2) it would only accompany the § 112 claim actually litigated. One claim arising under the patent laws is enough to confer Federal Circuit jurisdiction. See *supra* 21.

The courts have recognized that "appellate court[s] must look beyond the stated jurisdictional basis to determine the nature of the claims actually litigated." *Handgards, Inc. v. Ethicon, Inc.*, 743 F.2d 1282, 1287 n.5 (9th Cir. 1984) (citing C. Wright & A. Miller, *Federal Practice & Procedure: Civil* § 1206 at 77 (1969)), *cert. denied*, 469 U.S. 1190 (1985). In this case, the claim actually litigated rested on showing that Colt violated the patent laws. Only if Colt's trade secrets could be invalidated by proving that Colt's patent disclosures were inadequate would Colt's enforcement efforts be considered a possible antitrust violation. As Judge Nichols expressed it, "the whole antitrust case collapses if the disclosures were in fact all the patent law required." (PA-40) The district court's decision makes this conclusion inescapable.

C. The District Court's Decision Effectively Amended the Complaint.

1. Under Fed. R. Civ. P. 15(b), the complaint is deemed amended to conform to the proof.

Although the well-pleaded complaint rule, when rigorously applied to limit the inquiry to the four corners of the complaint, may serve the purpose of defining the basis of a district court's jurisdiction, it may not serve Congress' purpose in creating the Federal Circuit and defining its jurisdiction. When the question of appellate jurisdiction arises, a case has usually progressed far from the pleading stage. During the course of a litigation, pleadings may be amended, claims may be dropped, and the theory of a case may change altogether, with or without formal amendment. For purposes of appellate jurisdiction, therefore, due regard should be given to both actual and *de facto* amendments to the pleadings. In this case, Christianson's complaint at the time of appeal was amended by the proof and the theory of liability presented to and accepted by the district court.

It is well established that a complaint may be deemed amended to conform to the proof presented at trial or by summary judgment. Indeed, Rule 15(b) of the Federal Rules of Civil Procedure requires that treatment:

When issues not raised by the pleadings are tried by express or implied consent of the parties, they shall be treated in all respects as if they had been raised in the pleadings. Such amendment of the pleadings as may be necessary to cause them to conform to the evidence and to raise these issues may be made upon motion of any party at any time, even after judgment; but failure so to amend does not affect the result of the trial of these issues.

See *Curtis v. Loether*, 415 U.S. 189, 190 n.1 (1974); *New York City Transit Authority v. Beazer*, 440 U.S. 568, 605 n.10 (1979) (White, J., dissenting); *Eisenberg v. Insurance Co. of North America*, 815 F.2d 1285, 1288 n.1 (9th Cir. 1987); *Apple Barrel Productions, Inc. v. Beard*, 730 F.2d 384, 388 n.9 (5th Cir. 1984).

Whether or not the section 112 issue was raised in the complaint, in a responsive pleading, or by mere argument,²⁸ the district court effectively amended the complaint to conform to the section 112 theory and proof that it accepted. The district court not only treated the patent issues as a component of the claim, not a defense, but also as the foundation of the claim. Liability flowed automatically from the purported section 112 violations and the patent pre-emption concept without findings on any real antitrust issue. Thus, the claim upheld by the district court more closely resembles an implied cause of action under section 112 of the patent laws than any cognizable antitrust claim. Such a cause of action is created — if it is created at all — by the patent laws.²⁹ For jurisdictional purposes, therefore, it falls

²⁸ As Judge Nichols recognized, even if the district court's decision was based on an argument, that "is not decisive if the court could and should have called for an amended complaint." (PA-40)

²⁹ By accepting Christianson's patent-based theory, the district court essentially implied a cause of action under § 112. *Merrell Dow Pharmaceuticals Inc. v. Thompson*, 478 U.S. 804, 106 S. Ct. 3229 (1986), enumerated the factors used to determine the existence of an implied federal cause of action. Christianson uses those factors to conclude that the § 112 issue is not substantial. That analysis leads him to the corollary conclusion that "Congress has not intended (footnote continued)

within the primary "arising under" category of cases described by the Holmes creation test. See *supra* 21.

Moreover, the district court's decision invalidated nine Colt patents, five of which had not yet expired at the time of the decision. The decision estopped Colt from enforcing the invalidated patents against anyone. The relief granted — invalidating live patents — makes this case a patent case and therefore places appellate jurisdiction in the Federal Circuit. See *C.R. Bard, Inc. v. Schwartz*, 716 F.2d 874 (Fed. Cir. 1983).

On some occasions, the Federal Circuit has looked at proceedings subsequent to the complaint to determine whether a case arises under the patent laws, a practical approach particularly for a court that is supposed to be concerned with live patent controversies. The court has held that "the term 'case' at the time of an actual determination of appellate jurisdiction refers collectively to the proceedings that transpired at the district court level when viewed pragmatically at the time of appeal." *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1436 (Fed. Cir. 1984) (*en banc*); accord *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 908 (Fed. Cir. 1984). Where a patent claim originally pleaded is no longer in the case at the time of appeal, through either dismissal or settlement, the Federal Circuit has consistently used the amended pleading at the time of the appeal to determine its jurisdiction. See, e.g., *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515 (Fed. Cir. 1987); see also *Schwarzkopf Development Corp. v. Ti-Coating, Inc.*, 800 F.2d 240 (Fed. Cir. 1986). The Federal Circuit failed in the instant case to apply this practical concept of examining the proceedings between complaint and appeal, not just formal amendments, to determine the nature

a federal claim for § 112 violations." (Pet. Br. 37-41) This is true, but that is precisely the kind of liability imposed by the district court. As Judge Nichols commented, "[i]n deciding whether this is a claim to a right under the patent laws, we must not be misled by its sheer preposterousness, or its novelty." (PA-40) While a § 112 implied cause of action is not a legitimate legal theory, it is nonetheless determinative of jurisdiction in this case.

and components of the case that plaintiff actually presented for judicial determination.

2. Basing Federal Circuit jurisdiction on the case that was actually litigated accords with congressional intent.

The appeal of a district court decision that is exclusively devoted to and rests liability entirely upon patent law was intended by Congress to be heard by the Federal Circuit.²⁰ The creation of the Federal Circuit in 1982 was intended to "provide nationwide uniformity in patent law, . . . make the rules applied in patent litigation more predictable and . . . eliminate the expensive, time-consuming and unseemly forum shopping that characterize[d] litigation in the field." H.R. Rep. No. 312, 97th Cong., 1st Sess. 20 (1981).²¹ The "central purpose" for directing patent appeals

²⁰ Jurisdictional statutes are to be interpreted "in light of the purposes Congress sought to serve." *Chapman v. Houston Welfare Rights Organization*, 441 U.S. 600, 608 (1979).

²¹ Several years earlier, Congress had created the so-called "Hruska Commission" — the Commission on Revision of the Federal Court Appellate System — to identify areas of the federal appellate system in need of change. See Pub. L. No. 92-489, 86 Stat. 807 (1972). After extensive hearings, the Hruska Commission issued a report singling out the area of patent law adjudication as being in serious need of reform. 67 F.R.D. 195, 369-71 (1975). As summarized by the House, the Hruska Commission report:

concluded that patent law is an area in which the application of the law to the facts of a case often produces different outcomes in different courtrooms in substantially similar cases. As a result, some circuit courts are regarded as "pro-patent" and other "anti-patent," and much time and money is expended in "shopping" for a favorable venue. In a Commission survey of practitioners, the patent bar reported that uncertainty created by the lack of national law precedent was a significant problem; the Commission found patent law to be an area in which widespread forum shopping was particularly acute.

H.R. Rep. No. 312, 97th Cong., 1st Sess. 20-21 (1981) (footnote omitted); see also S. Rep. No. 275, 97th Cong., 1st Sess. 5 (1981).

to the Federal Circuit was "to reduce the widespread lack of uniformity and uncertainty of legal doctrine that exist[ed] in the administration of patent law." *Id.* at 23. In addition, this reallocation of appeals would have "the beneficial effect of removing these unusually complex, technically difficult, and time-consuming cases from the dockets of the regional courts of appeals." *Id.* at 22-23.

Congress acknowledged, however, that it could not foresee every possible permutation of patent and non-patent claims arising in various cases, and therefore, as the House Committee on the Judiciary noted, "[s]hould questions legitimately arise respecting . . . the direction of appeals in particular cases, the Committee expects the courts to establish . . . jurisdictional guidelines respecting such cases." H.R. Rep. No. 312, 97th Cong., 1st Sess. 41 (1981). One such guideline should be that Federal Circuit jurisdiction is best determined by reference to the case actually litigated. This guideline recognizes that patent claims may fall by the wayside or spring up during a case, and directs the live patent controversies to the Federal Circuit. Equally important, it prevents the abuse of forum shopping by a plaintiff who pleads one theory for jurisdictional purposes, then proves a different one.

The Federal Circuit has been directed by Congress to increase doctrinal stability in the field of patent law. S. Rep. No. 275, 97th Cong., 1st Sess. 5 (1981). A claim that so clearly turns on an interpretation of the patent laws — and in particular on a novel interpretation of the patent laws — should be resolved by the Federal Circuit.

D. Neither Christianson's Complaint Nor the District Court's Decision on Liability Articulates A Group Boycott Claim.

While the plaintiff may be the master of his complaint at the pleading stage, the plaintiff is not entitled to adopt a wholly new theory of his complaint on appeal for jurisdictional purposes. Yet that is exactly what Christianson attempted to do on this appeal. Having obtained a judgment on liability based entirely on non-compliance with section 112, Christianson abandons that

basis when challenging appellate jurisdiction and adopts a reading of his complaint never asserted in the district court, contending that the complaint rests on a group boycott theory. The first time Christianson described his claim as a group boycott was in his answering brief on appeal to the Seventh Circuit. Such a claim is neither stated in the complaint nor mentioned in the district court's decision. The words "group boycott" and "concerted refusal to deal" appear neither in Christianson's complaint nor in his summary judgment motion.³²

The only alleged Colt conduct in the complaint (¶ 22) consists of protecting and enforcing trade secrets. These actions include reminding Colt's vendors of contractual restrictions on the use and disclosure of Colt's technical data, (PA-73-75)³³ sending letters from lawyers notifying third parties who appeared to be dealing in real or counterfeit "M16" parts of Colt's patent, trade secret, and other rights, (JA-68-70) and litigation to enforce the trade secrets (the *Springfield* case) and to enforce Christianson's contractual and fiduciary duties to respect Colt's trade secrets. This conduct cannot be made into a group boycott claim. Furthermore, it does not implicate the antitrust laws at all, without an allegation that the patents and trade secrets are a sham.

Christianson's belated attempt to label this conduct a "group boycott" does not change Colt's unilateral legal actions into a Section 1 conspiracy, much less the type of horizontal combination among competitors that may be treated as a group boycott.³⁴

³² Indeed, the single use of the word "agreed" in paragraph 23 of the complaint is the only statement in the complaint that approaches an allegation of concerted activity. (JA-11) By contrast, the word "patent" appears in the complaint a total of thirteen times.

³³ Casting Engineers and Martin Marietta, the two parts suppliers named in the complaint, were Colt vendors who were under contractual obligation not to use Colt's trade secrets other than to supply Colt or the U.S. government.

³⁴ This distinguishes all of the boycott cases on which Christianson relies. *United States v. General Motors Corp.*, 384 U.S. 127, 143 (1966) ("dealers collaborated (footnote continued)

Christianson's bold contention that all he needed to do to make out "a *prima facie* case under the antitrust laws" is show that "he was driven out of business as a result of a concerted refusal to deal orchestrated by the defendant," (Pet. Br. 27) does not state a group boycott claim.

This Court recently cautioned that "[t]he category of restraints classed as group boycotts is not to be expanded indiscriminately, and the *per se* approach has generally been limited to cases in which firms with market power boycott suppliers or customers in order to discourage them from doing business with a competitor." *FTC v. Indiana Federation of Dentists*, 476 U.S. 447, 458 (1986). Similarly, in *Northwest Wholesale Stationers, Inc. v. Pacific Stationery & Printing Co.*, 472 U.S. 284, 298 (1985), this Court held that "[a] plaintiff seeking . . . *per se* [treatment] must present a threshold case that the challenged activity falls into a category likely to have predominantly anticompetitive effects. The mere allegation of a concerted refusal to deal does not suffice because not all concerted refusals to deal are predominantly anticompetitive." Instead, a plaintiff must make a showing that the challenged combination "possesses market power or unique access to a business element necessary for effective competition." *Id.*

. . . among themselves and with General Motors . . . to forsake the discounters"; *United States v. Parke, Davis & Co.*, 362 U.S. 29, 46 (1960) ("substantial unanimity among the competitors" to policy of resale price maintenance); *Klor's, Inc. v. Broadway-Hale Stores, Inc.*, 359 U.S. 207, 212-13 (1959) ("a wide combination consisting of manufacturers, distributors and a retailer" to refuse to sell products to the plaintiff); *Kiefer-Stewart Co. v. Joseph E. Seagram & Sons*, 340 U.S. 211, 212 (1951) (agreement between two distillers to stop selling to wholesaler); *Fashion Originators' Guild of America, Inc. v. FTC*, 312 U.S. 457 (1941) (combination among textile and garment manufacturers and retailers to refrain from doing business with copiers).

Fashion Originators' in particular provides no support for Christianson's group boycott theory. In that case, the manufacturers combined together to police and enforce their claimed right to prevent the tortious activity of copying their product. 312 U.S. at 461. The Court held that the viability of those rights did not justify the concerted activity. *Id.* at 468. Here, by contrast, Colt enforced its rights alone, not in combination with other holders of trade secret rights.

Christianson never attempted to allege or prove that Colt had market power or unique access to a necessary business element.³⁵ Instead, all Christianson alleged was that Colt entered into and enforced arrangements to restrict the use of its trade secrets. Such arrangements have repeatedly been held to raise no antitrust questions.³⁶ Indeed, far from condemning such conduct as anticompetitive, this Court has stated that protecting trade secrets fosters competition. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 485 (1974). See also III P. Areeda & D. Turner, *Antitrust*

³⁵ Christianson failed to allege market power in the relevant product and geographic markets beyond the bare assertion in his complaint that Colt controls nearly 100% of the "M16" rifle and parts "market." (Complaint ¶ 12, JA-8) On its face, the definition of a product market as comprising a single brand is insufficient. See, e.g., *United States v. E.I. du Pont de Nemours & Co.*, 351 U.S. 377 (1956). The complaint also lacks any definition of the relevant geographic market. See *Tampa Electric Co. v. Nashville Coal Co.*, 365 U.S. 320, 327 (1961) (under Clayton Act § 3).

Had a definition of the appropriate product and geographic markets been presented, it would have been apparent that the "M16" rifle is only one of a number of weapons that compete in a geographic market that includes governments and civilian buyers throughout most of the world. See, e.g., Court of Appeals Appendix, A-427. Colt has no monopoly in this highly competitive international rifle market. Colt merely controls the production of one particular brand of one particular type of automatic rifle. To say that Colt monopolizes the "M16" market, therefore, is as meaningless as saying that Mercedes-Benz monopolizes the Mercedes-Benz market. See *Metrix Warehouse, Inc. v. Daimler-Benz Aktiengesellschaft*, 1982-2 Trade Cas. (CCH) ¶ 64,861 at 72,291-94 (D. Md. 1982) (rejecting plaintiff's contention on a summary judgment motion in a tying case that the Mercedes-Benz automobile was a "unique" product with no competition in the relevant market), *rev'd in part on other grounds*, 716 F.2d 245 (4th Cir. 1983).

Commentators suggest that allegations of market power must appear in the complaint. Brunet & Sweeney, *Integrating Antitrust Procedure and Substance After Northwest Wholesale Stationers: Evolving Antitrust Approaches to Pleadings, Burden of Proof, and Boycotts*, 72 Va. L. Rev. 1015, 1073-74 (1986).

³⁶ Any restraints on trade involved in such contracts were "ancillary" to their main purpose of protecting Colt's trade secrets. See, e.g., *A. & E. Plastik Pak Co. v. Monsanto Co.*, 396 F.2d 710 (9th Cir. 1968); *KFC Corp. v. Marion-Kay Co.*, 620 F. Supp. 1160, 1166 (S.D. Ind. 1985); *Organic Chemicals, Inc. v. Carroll Products, Inc.*, 211 U.S.P.Q. 628 (W.D. Mich. 1981). See generally M. Jager, *Trade Secrets Law* § 11.02 (1987).

Law, ¶ 738j at 284 (1978). At most, such arrangements as Colt had with its vendors would be considered exclusive dealing contracts and would be judged under the rule of reason.³⁷ 324 *Liquor Corp. v. Duffy*, 107 S. Ct. 720, 724 (1987) ("concerted nonprice restrictions imposed by a single manufacturer are to be judged under the rule of reason"); *Copperweld Corp. v. Independence Tube Corp.*, 467 U.S. 752, 768 (1984); *Continental T.V., Inc. v. GTE Sylvania Inc.*, 433 U.S. 36, 57-58 (1977).

Christianson's group boycott theory does not make sense for another reason. By purporting to relegate the trade secret enforceability issue to a defense by way of justification to the alleged boycott, (Pet. Br. 27) Christianson would remove the issue from the case entirely. Conduct that falls into a *per se* category cannot be justified, as Christianson at one point appears to recognize. See Pet. Br. 27; *Northwest Wholesale Stationers, Inc. v. Pacific Stationery & Printing Co.*, 472 U.S. at 294; *Arizona v. Maricopa County Medical Society*, 457 U.S. 332, 351 (1982). Thus, if this were a *per se* group boycott case, Colt would have had no opportunity to present the patent/trade secret validity issue as a defense, and Christianson would not have needed to expend such efforts in arguing that Colt's patent disclosures were inadequate. In short, any antitrust theory predicated on the enforcement of trade secrets requires that plaintiff, as part of his case, prove the trade secrets invalid. In fact, in his summary judgment motion, Christianson acknowledged the trade secret validity issue was "[b]asic and fundamental" to the lawsuit. (JA-57)

Christianson more plausibly described his antitrust theory in his transfer motion before the Federal Circuit and in oral argument before the Seventh Circuit. At those times, he stated that his antitrust claim was based on abusive enforcement of invalid

³⁷ Moreover, the mere acquiescence of Colt vendors and Christianson's customers to Colt's demands that they respect Colt's proprietary rights does not establish an antitrust conspiracy, without a showing that the acquiescence is something more than a business decision to respect valid contractual obligations. See *Matsushita Electric Industrial Co. v. Zenith Radio Corp.*, 475 U.S. 574, 593-95 (1986); *Monsanto Co. v. Spray-Rite Service Corp.*, 465 U.S. 752, 768 (1984).

trade secrets.³⁸ His claim, forsaken on this appeal, would therefore be based on Section 2, not Section 1, of the Sherman Act. The starting point for such a claim is *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965), which set forth the elements of a monopolization claim based on an improperly procured patent.³⁹

The First Circuit applied a variation of the *Walker Process* theory to abusive enforcement of trade secrets in *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). In that case, the Court of Appeals held that a party who knowingly asserts a false claim of protecting trade secrets may subject himself to antitrust liability. As the First Circuit stressed, however, an antitrust plaintiff must "prove, in addition to the other elements of an antitrust violation, by clear

³⁸ In his motion to transfer, Christianson stated that his complaint was based in part "upon Colt Industries' monopolization of the M-16 rifle and its parts through illegal restrictive covenants and active assertions and enforcement of alleged trade secrets . . ." (Motion to Transfer to the Court of Appeals for the Seventh Circuit at 13). Christianson's attorney also argued before the Seventh Circuit that "the case turns on a patent issue" and that "Colt's attempt to enforce trade secrets they're not entitled to enforce" constitutes an antitrust violation, and cited *CVD, Inc. v. Raytheon Co.*, 769 F.2d 842 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986), *infra*, as a precedent for his antitrust theory. Transcript of Seventh Circuit oral argument, May 8, 1986, at 29, 42. (A copy of this transcript, made by a certified stenotype reporter from the court's official audio tape record, is available from Colt's attorneys upon request.)

³⁹ A patentee is entitled to a presumption that the infringement suit is brought in good faith, and the presumption can be rebutted only by clear and convincing evidence. See, e.g., *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 996 (9th Cir. 1979), *cert. denied*, 444 U.S. 1025 (1980). The Supreme Court has therefore required findings that the monopolist committed willful fraud on the Patent Office, as well as the other elements of a Sherman Act § 2 violation, including monopoly power in the relevant market, before an antitrust claim can be based on patent enforcement. Numerous court decisions interpreting *Walker Process* have stressed its stringent proof requirements. E.g., *Oetiker v. Jurid Werke GmbH*, 671 F.2d 596 (D.C. Cir. 1982); *Bendix Corp. v. Balax, Inc.*, 471 F.2d 149 (7th Cir. 1972), *cert. denied*, 414 U.S. 819 (1973); *Cataphote Corp. v. DeSoto Chemical Coatings, Inc.*, 450 F.2d 760, 772 (9th Cir. 1971), *cert. denied*, 408 U.S. 929 (1972); *GAF Corp. v. Eastman Kodak Co.*, 519 F. Supp. 1203 (S.D.N.Y. 1981).

and convincing evidence, that the defendant asserted trade secrets with the knowledge that no trade secrets existed." *Id.* at 851.

What is fundamental to such a Section 2 claim is the element of invalidity of the rights asserted; indeed the law requires not only technical invalidity, but also fraudulently obtained or asserted rights. Here, Christianson asserts that patent and trade secret invalidity is *not* part of his claim.⁴⁰ Since the only remotely plausible theory of antitrust liability depends upon a finding of trade secret invalidity, under Christianson's current interpretation of the complaint, no cause of action is stated. If Christianson has abandoned the patent law basis for the district court's imposition of antitrust liability, there is no other plausible theory left. The district court's judgment would have to be vacated because it is based on a theory Christianson now claims he never asserted as a basis for affirmative relief.⁴¹

⁴⁰ Thus, this Court need not decide whether all appeals in *Walker Process*-type antitrust cases should be directed to the Federal Circuit. This case did not proceed on a *Walker Process* theory, and petitioners do not contend that it does. Rather, the district court's decision on liability flowed directly from its finding that Colt violated the patent laws. The court did not consider or resolve any antitrust issues, only patent issues.

Although Congress did not specifically address where appeals in hybrid patent/antitrust cases should be directed, correspondence annexed to the Senate Report suggests that appeals in cases where patent misuse claims have been asserted should be directed to the Federal Circuit, since such claims are not "true" antitrust claims, but rather patent claims "merely couched in antitrust terms." S. Rep. No. 275, 97th Cong. 1st Sess., Appendix B at 37-38 (1981); accord Cihlar & Goldstein, *A Dialogue About the Potential Issues in the Patent Jurisdiction of the Court of Appeals for the Federal Circuit*, 10 APLA Q.J. 284, 292 (1982).

⁴¹ It has been held that "intentional self-contradiction" may not be used by a litigant "as a means of obtaining unfair advantage." *Scarano v. Central R. Co. of New Jersey*, 203 F.2d 510, 512-13 (3d Cir. 1953). Thus "[i]n certain circumstances a party may properly be precluded as a matter of law from adopting a legal position in conflict with one earlier taken in the same or related litigation." *Allen v. Zurich Insurance Co.*, 667 F.2d 1162, 1166 (4th Cir. 1982). The doctrine of "judicial estoppel" is designed "to protect the essential integrity of the judicial process." *Id.* Judicial estoppel should prevent Christianson from changing his theory of liability at this stage.

II.

THE FEDERAL CIRCUIT HAD
JURISDICTION BASED ON THE
SEVENTH CIRCUIT'S TRANSFER DECISION.

In response to the first question Christianson presents for review, Colt concedes that a court without any basis for jurisdiction does not have the power to decide a case. The issue here, however, is whether a court of appeals may decide an appeal when (1) the jurisdictional statute unequivocally vests jurisdiction in one of two courts of appeals, (2) one of those two courts has issued a carefully reasoned opinion concluding that the other court has jurisdiction, and (3) the statute provides for transfer in the event of a finding of no jurisdiction. In that situation, the Federal Circuit had the authority to decide Colt's appeal under law of the case principles.

A. *Colt Had An Absolute Right to Appeal.*

This petition does not present any questions of appellate jurisdiction *per se*. Petitioners do not dispute that Colt had an absolute right to appeal from the district court's injunction and judgment on liability. There is no gap in the jurisdictional statutes that would leave the party aggrieved by such an injunction without an appellate forum. The language of 28 U.S.C. § 1292(a) makes clear that if an appeal from such an interlocutory order does not fall within the exclusive jurisdiction of the Federal Circuit, it must by definition fall within the jurisdiction of the appropriate regional circuit court of appeals. (PA-53)

In this case, either the Federal Circuit or the Seventh Circuit had the unquestionable duty to hear this appeal. If both courts had persisted in refusing to hear the appeal, Colt would have been entitled to a writ of mandamus from this Court, directing the proper court of appeals to hear the appeal. See, e.g., *Harley-Davidson Motor Co. v. Buffington*, 259 U.S. 414, 417 (1922).⁴²

⁴² In the event this Court should conclude that the Federal Circuit did not have the authority to decide the merits, Colt requests that its appeal be transferred to the Seventh Circuit. See *Pacyna v. Marsh*, 474 U.S. 1078 (1986); *Ballam v. United States*, 474 U.S. 1078 (1986).

None of the cases Christianson cites in support of his argument that a court of appeals may not hear the merits of an appeal over which it does not have jurisdiction (Pet. Br. 14-17) deals with the situation in which the court of appeals — either the regional or the Federal Circuit — must have jurisdiction. Those cases either deal with federal jurisdiction in general or with the appealability of the order at issue. In those cases, the appropriate consequence upon a determination that the appellate court lacks jurisdiction is to deny the right to an appeal. This petition, on the other hand, presents only an issue of the division of responsibility between two courts of appeals, not an issue of appealability. If one court of appeals does not have jurisdiction, the other must have jurisdiction.

B. *The Federal Circuit Had the Power to Decide
the Appeal Under Law of the Case Principles.*

The Federal Circuit's jurisdiction to decide Colt's appeal is supported by according "a decent respect to the first fully articulated view about a question of this kind." (Concurring and dissenting opinion of Judge Nichols, PA-39) As this Court has noted, "[a]s most commonly defined, the [law of the case] doctrine posits that when a court decides upon a rule of law, that decision should continue to govern the same issues in subsequent stages in the same case." *Arizona v. California*, 460 U.S. 605, 618 (1983). The law of the case doctrine is not limited to decisions made by a single court during the course of a litigation. As the Federal Circuit held in *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 900 (Fed. Cir.), *cert. denied*, 469 U.S. 857 (1984), a court should accord "great deference" to the decision of another court of the same status. A court should not needlessly reopen issues already litigated and resolved by the other court. In that case, the Federal Circuit had no need to redecide an issue of patent infringement, already decided by the Ninth Circuit, where the parties had had an "eminently fair chance" to litigate that issue in the sister forum. *Id.*

Law of the case principles are particularly applicable to transfer decisions between federal courts at the same level. In this case, even though the Seventh Circuit decided that it had

the power to reconsider the Federal Circuit's first jurisdictional ruling, the Seventh Circuit also recognized that "a transfer should not give rise to a second opinion on every issue decided by the transferor court. . . ." (PA-51)

Justice Frankfurter pointed out in dissent in *Hoffman v. Blaski*, 363 U.S. 335, 348-49 (1960), that law of the case principles "are especially important in enforcing comity among federal courts of equal authority."⁴³ The Third Circuit closely scrutinized the applicability of law of the case doctrine to transfer rulings in *Hayman Cash Register Co. v. Sarokin*, 669 F.2d 162 (3d Cir. 1982). In that case, the transferee district court erred by disregarding the "fully considered finding" of the D.C. district court, after an appeal to the D.C. Circuit, that personal jurisdiction and venue were proper in New Jersey. *Id.* at 169-70.⁴⁴ The district court's retransfer order was therefore vacated. *See also Skil Corp. v. Millers Falls Co.*, 541 F.2d 554 (6th Cir.), *cert. denied*, 429 U.S. 1029 (1976); *Gulf Research & Development Co. v. Schlumberger Well Surveying Corp.*, 98 F. Supp. 198 (D. Del.), *mandamus denied*, 193 F.2d 302 (3d Cir. 1951), *aff'd per curiam by an equally divided Court*, 344 U.S. 861 (1952).

The issue of jurisdiction between two courts of appeals is more akin to the venue and personal jurisdiction issues in the above cases, than it is to the jurisdictional issues in the cases cited by

⁴³ In *Hoffman*, the transfer order "did not purport to determine the jurisdiction of the transferee court," 363 U.S. at 340 n.9, and therefore was not considered *res judicata* or law of the case. Even so, Justice Frankfurter, writing in dissent for himself, Justice Harlan and Justice Brennan, would have barred reconsideration of that order under the "law of the case" rule. The dissenters perceived the case as one involving the "prior adjudication of [a] question at the same level of the federal system in the same case and between the same parties" and reasoned that the shuttling of cases back and forth under a transfer statute could not be condoned. 363 U.S. at 347-48.

⁴⁴ The fact that the transferor court in *Hayman* specifically decided that the transferee court had jurisdiction and that venue would be proper in the transferee court distinguishes that case from *Hoffman v. Blaski*, 363 U.S. 335 (1960). *See supra* n.43.

Christianson.⁴⁵ Multiple transfers under 28 U.S.C. § 1631 should be avoidable through greater deference to law of the case principles, without doing violence to any principles of federal jurisdiction. Here, the Seventh Circuit was the first appellate court to make a "fully articulated" ruling as to the jurisdiction of the Federal Circuit over Colt's appeal. The Seventh Circuit, after a thorough analysis of the complaint and what the litigation below revealed about the nature of the case, concluded that Christianson's claim turned on a theory of patent invalidity, and therefore arose under the patent laws. The Seventh Circuit's findings on the meaning of the complaint should have been given greater deference by the Federal Circuit as the "law of the case."⁴⁶ The Seventh Circuit's decision gave the Federal Circuit authority to review the merits regardless of that court's own view of its jurisdiction.

C. Christianson's Suggestion That The Appeal Should Be Dismissed Is Not Worthy of Serious Consideration.

Christianson seeks to deny Colt's right to appellate review altogether, even though Colt at no time challenged the jurisdiction of either the Federal or the Seventh Circuit⁴⁷ and at all times

⁴⁵ In the words of one witness who submitted testimony to Congress, 28 U.S.C. § 1631 was needed as "an analog" of § 1406. *See* Hearings on Judicial Housekeeping Before the House Judiciary Subcommittee on Courts, Civil Liberties and the Administration of Justice, 95th Cong., 2d Sess. 383 (1978) (cited in S. Rep. No. 275, 97th Cong. 1st Sess. 11 n.15 (1981)). Others who testified also proposed that § 1631 be modelled after the venue transfer statutes. *Id.* at 379, 382.

⁴⁶ It follows, of course, that if the Court of Appeals for the Federal Circuit had issued the first fully articulated jurisdictional ruling, the Seventh Circuit would have been obliged to pay it greater deference and decide the merits. *See* Seventh Circuit opinion, PA-53 n.7.

⁴⁷ In its jurisdictional statement required by the Seventh Circuit rules, Colt merely reiterated its position, which it still maintains, that the complaint entirely depends on a § 112 determination, and even attempted to articulate the Federal Circuit's rationale:

(footnote continued)

sought an expeditious review of the merits. In contrast, Christianson moved to stay the briefing in the Federal Circuit, moved to transfer the appeal to the Seventh Circuit, and finally moved to dismiss the appeal. (JA-113) Christianson renews his motion to dismiss before this Court, arguing that Colt's statutory right to an appeal should be denied based on the absurd suggestion that Colt "misled" the Seventh Circuit by stating that the complaint "depends entirely" on the section 112 patent/trade secret invalidity claim.

Colt's statement to the Seventh Circuit is no different than its argument to the Federal Circuit and to this Court: the only theory of liability Christianson ever fully articulated and proved depended entirely on finding Colt's trade secrets invalid by reason of the alleged inadequacy of Colt's patent disclosures under 35 U.S.C. § 112. Even the Federal Circuit recognized, when it turned to the merits, that "[t]he district court's only basis for invalidating Colt's claim to production trade secrets was its view that failure to disclose them constituted noncompliance with section 112."

This case fell between the cracks of the Federal Circuit's jurisdiction. Although the Federal Circuit was created to decide patent issues, *see Roberts v. Sears, Roebuck & Co.*, 723 F.2d 1324 (7th Cir. 1983), its jurisdictional statute (28 U.S.C. § 1295) does not mandate that the Federal Circuit "gets its hands on every appeal involving an allegation that a patent law issue is somehow involved." *Atari, Inc. v. JS & A Group, Inc.*, 747 F.2d 1422, 1429 (Fed. Cir. 1984). Rather, the Federal Circuit's appellate jurisdiction depends entirely on whether the district court's jurisdiction was based on a patent or plant variety protection claim under 28 U.S.C. § 1338. *Id.* at 1431. Thus, the Federal Circuit has recognized that regional courts of appeals will at times have to decide patent issues when they arise in other contexts. The Federal Circuit decided that this is such a case.

Brief of Appellant in the United States Court of Appeals for the Seventh Circuit, No. 86-1145, Feb. 5, 1986, at 3-4.

Further, when the Seventh Circuit inquired at oral argument whether Colt was still asserting the position that this case belongs in the Federal Circuit, Colt's counsel responded, "I am not pressing that point, your Honor." Transcript of Seventh Circuit oral argument at 8.

(PA-34) Christianson too has at times recognized that his antitrust claim depends on finding the trade secrets invalid under section 112. Christianson's current position that his complaint states a group boycott claim amounts to his saying that the complaint "means just what I choose it to mean."⁴⁸

The Seventh Circuit and the Federal Circuit had the same record, the same briefs, the same jurisdictional motion papers, (PA-49 n.4) and the same arguments of counsel to draw upon. Their different interpretations of Christianson's complaint were a function of the poorly drafted complaint and the unprecedented theory of liability that were before them.

⁴⁸ "When I use a word," Humpty Dumpty said, in a rather scornful tone, "it means just what I choose it to mean — neither more nor less."

"The question is," said Alice, "whether you *can* make words mean so many different things."

L. Carroll, *Through the Looking-Glass*, in *The Complete Illustrated Works of Lewis Carroll* (1982 ed.) at 136 (emphasis in original).

In the series of briefs Christianson has submitted in this case, he has variously described the theory of his transmutable complaint as an "extension of a patent monopoly beyond the expiration of the patent" by "retention of the M16 trade secrets," (Plaintiffs' Memorandum in Support of ITS Motion for Summary Judgment on the Unenforceability of the Alleged M16 Trade Secrets at 15-16) a "monopolization of the M-16 rifle and its parts through illegal restrictive covenants and active assertions and enforcement of alleged trade secrets relating to the M-16 rifle," (Motion to Transfer to the Court of Appeals for the Seventh Circuit at 13) a monopoly established by keeping specifications secret and "enforcing numerous U.S. patents . . . obtained by concealment of critical aspects required to be disclosed . . . [by] § 112" (Brief of Appellees (Seventh Circuit) at 18-19) and a "group boycott and improper revocation of permission." (Appellee's Reply to Colt's Memorandum Opposing Motion to Dismiss (Federal Circuit) at 1).

CONCLUSION

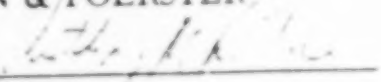
For the foregoing reasons, this Court should determine that the Federal Circuit had jurisdiction over Colt's appeal. In the event this Court determines that it was inappropriate for the Federal Circuit to decide Colt's appeal, this Court should remand with directions to the Federal Circuit to transfer the appeal to the Seventh Circuit.

Dated: New York, New York
March 14, 1988

Respectfully submitted,

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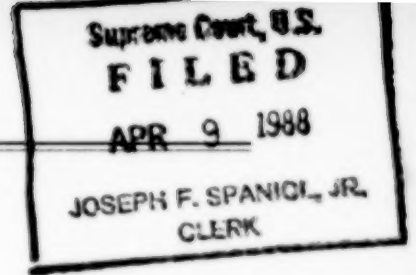
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No. 87-499

IN THE
Supreme Court of the United States
October Term, 1987

CHARLES R. CHRISTIANSON AND
INTERNATIONAL TRADE SERVICES, INC.,
Petitioners,

VS.

COLT INDUSTRIES OPERATING CORP.,
Respondent.

**On Writ of Certiorari To The United States
Court of Appeals For the Federal Circuit**

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PETITIONERS' REPLY BRIEF

I. SINCE NO PRIVATE RIGHT OF ACTION EXISTS UNDER § 112, THE FEDERAL CIRCUIT HAD NO JURISDICTION OF THIS APPEAL.

"Congress has not intended a federal claim for § 112 violations."¹ This is dispositive because *Merrell Dow Pharmaceuticals v. Thompson*, 478 U.S. 804, 92 L.Ed.2d 650 (1986), found that where there is "no federal private cause of action" when a "violation of the federal statute" occurs, federal courts may not exercise § 1331 "arising under" jurisdiction. 92 L.Ed.2d at 661 & 662. Therefore because "no federal private cause of action" for a § 112 violation exists, there can be no "arising under" patent jurisdiction pursuant to § 1338.

Colt attempts to avoid the conclusion of no § 1338 jurisdiction under *Merrell Dow* by arguing (pp. 28-29, n. 29) that Judge Morgan implied a private right of action under § 112 even though such claim is "not a legitimate legal theory." According to Colt (p. 29, n. 29), this error by Judge Morgan "is nonetheless determinative of jurisdiction in this case." Colt cites no authority for this argument and nothing in *Merrell Dow* remotely hints that if a lower court erroneously implies a private right of action under a federal law, contrary to congressional intent, jurisdiction would then exist. Whether or not jurisdiction exists pursuant to *Merrell Dow* depends upon a correct determination of whether there is a private right of action, not upon an incorrect one.

Colt further stated (pp. 28-29; also see p. 21) that "[f]or jurisdictional purposes," the district court's supposed implied

¹ Admitted in Colt's Brief, pp. 28-29, n. 29, quoting and agreeing with a statement from Christianson's Brief, p. 41. Unless otherwise indicated, all page references to Colt statements are to Respondent's Brief on the Merits, typically referred to as "Colt's Brief," and all page references to Christianson statements are to Petitioners' Brief on the Merits, typically referred to as "Christianson's Brief."

cause of action under § 112 “falls within the primary ‘arising under’ category of cases described by the Holmes creation test.” But in the very case that Holmes announced the “creation” test, the district judge had erroneously held that there was federal question jurisdiction under the patent laws. *American Well Works, Co. v. Layne & Bowler Co.*, 242 U.S. 257, 258 (1916). Yet because the district judge was wrong, as decided by Holmes, there was no federal jurisdiction. 242 U.S. at 260.

Accordingly, pursuant to both *American Well Works* and *Merrell Dow*, where the matter at issue is whether a particular federal law “creates” a cause of action, district court jurisdiction does not exist if the ultimate appellate ruling is that no cause of action is created by federal law. Since no private right of action exists under § 112 and Colt has offered no theory other than a claimed § 112 violation as the basis for § 1338 district court jurisdiction, the Federal Circuit therefore has no jurisdiction of this appeal pursuant to § 1295(a)(1).²

II. COLT HAS, IN ACTUALITY, ARGUED FOR ISSUE, NOT CASE JURISDICTION; THE ACCEPTANCE OF THIS ARGUMENT WOULD MEAN THAT STATE COURTS COULD NO LONGER DECIDE STATE LAW CASES INVOLVING PATENT ISSUES AS THEY HAVE DONE FOR OVER A CENTURY.

In its brief (p. 30), Colt asserted that the Federal Circuit has jurisdiction because “congressional intent” requires that jurisdiction be based “on the case that was actually litigated,”³

² In *Merrell Dow*, the determination that no private right of action existed under the federal law involved was supported by the fact that “both parties agree[d]” to that conclusion. 92 L. Ed.2d at 660 & 669, n. 4. Colt’s admission (pp. 28-29, n. 29) that “Congress has not intended a federal claim for § 112 violations” provides a comparable agreement in the present case.

³ Colt posits this conclusion (p. 31) on a need for “uniformity” in patent law. Yet Congress also believed that there was an “imperative of avoiding undue specialization within the Federal judicial system.” 1981 Senate Report, at 6. Moreover, *Cable Electric Products, Inc. v. Genmark, Inc.* 770 F.2d 1015 (Fed Cir. 1985), provides that questions of federal preemption by the patent laws belong in the regional circuits.

regardless of what is pled in the complaint. If Colt is serious in this claim, it is not only arguing that 100 years of “settled law” and “history,” as explained in *Franchise Tax Bd. v. Laborers Vac. Trust*, 463 U.S. 1, 1, 14 (1983), be overruled, it is also contending that “issues” and not “cases” should dictate § 1338 “arising under” jurisdiction.⁴

The consequences of accepting such an argument would mean that state courts could no longer decide state law cases involving patent issues. This matter was discussed in Christianson’s Brief (pp. 18-20) which points out that in view of § 1338’s exclusivity provision for patent jurisdiction in the district courts, determinations between Federal Circuit and regional circuit jurisdiction have a corollary effect of impacting determinations between federal courts and state courts.

Colt, while never directly responding to this issue at all, claimed that the only matter “at stake where Federal Circuit jurisdiction is at issue is *which* federal appellate court will hear an appeal.” However, because of the district court exclusivity provision of § 1338, Colt’s claim is necessarily wrong. Therefore, contrary to Colt’s argument, a determination of Federal Circuit jurisdiction inherently implicates “principles of state sovereignty and constitutional issues of federalism,” just as

⁴ Since Colt agrees that Congress intended traditional “arising under” jurisdiction to apply to § 1338, *Franchise Tax Bd.* and its predecessor holdings also necessarily apply. (Colt’s Brief, p. 20, citing H. R. Rep. No. 312, 87th Cong., 1st Sess. 41 (1981)).

Colt’s corollary thesis to its “actually litigated” argument that the complaint was effectively amended pursuant to Federal Rule of Civil Procedure 15(b) is misplaced. (Colt’s Brief, p. 27). Federal Rule of Civil Procedure 82 provides that the federal rules “shall not be construed to extend or limit the jurisdiction of the United States District Courts.” While Rule 15(b) allows later amendment to the pleadings, it provides no guidance as to whether it is the complaint, answer, or reply to counterclaims which must be amended to conform to the evidence. Moreover, the rule applies only to issues that are tried which are “not raised by the pleadings,” not just the complaint, and the § 112 issue *was* raised in the reply (JA-45). (Emphasis added).

they are implicated in determinations of general federal question jurisdiction.⁵

III. CONTRARY TO COLT'S ARGUMENT, CHRISTIANSON WAS ENTITLED TO PLEAD ITS ANTI-TRUST CLAIM WITHOUT PLEADING INVALIDITY OF TRADE SECRETS.

A. The Permission Issue Does Not Depend Upon the Patent Laws.

In discussing the antitrust count of the complaint, Colt side-steps the permission issue and argues (p. 32) that the "only alleged Colt conduct in the complaint" related to the protection and enforcing of alleged trade secrets. Paragraphs 20 and 21 of the complaint specifically recite that prior to the expiration of the patents ITS expended funds for tooling for the manufacture of M-16 parts and that "Colt gave ITS permission to use the tooling for which it had expended funds in 1976 to the end that the suppliers, including Casting Engineers, could make M-16 parts for ITS to sell to customers, . . ." (JA-9-10). Paragraph 22 then commences with the words, "Contrary to the permission extended to ITS to sell Colt parts and accessories and in violation of the antitrust laws . . ." (JA-10).

There then follow seven subparagraphs describing certain conduct that Colt engaged in and only one of those subparagraphs, subparagraph (c), states that Colt had "claimed rights over M-16 drawings, . . ." (JA-10). Nothing in that subparagraph or any of the other subparagraphs states that the claimed rights to trade secrets were invalid because of a vio-

⁵ The quoted phrases are found in Colt's Brief, p. 20, n. 21. Colt's note implies that the "consequences" of deciding which court of appeals should hear an appeal are insignificant when issues of "state sovereignty" or "constitutional issues of federalism" are not at stake. However, in *United States v. Hohri*, 482 U.S. —, 96 L. Ed. 2d 51 (1987), a case presenting no such issues, this Court unanimously vacated a ruling of a regional circuit on the merits of a matter of national importance and transferred the case to the Federal Circuit because of defective appellate jurisdiction.

lation of § 112. The antitrust complaint simply alleged that Christianson had permission to sell these parts and accessories, and that Colt, at least prior to its concerted action against him, was making no claim of trade secrets with respect to the tooling and drawings utilized by Christianson's suppliers for their sales of M-16 parts to him.⁶

⁶ This was, in part, the basis upon which Christianson successfully resisted Colt's efforts to preliminarily enjoin him from doing business in M-16 parts prior to this case being filed. (Memorandum of Christianson and ITS in Opposition to Motion for Preliminary Injunction, Exhibit 4, Exhibits in Support of Plaintiffs' Response to Defendant's Motion for Deferring Summary Judgment, filed in *Christianson v. Colt*, No. 84-4056). That memorandum alluded to a Colt letter of March 1976 (JA-63-65, relied upon by Colt in its brief, pp. 5-6, 26, n. 27) which recited that Colt representatives had informed Christianson's suppliers that "Colt could have no objection to their furnishing" M-16 parts to him, "so long as they did not use Colt furnished tooling or Colt furnished drawings or specifications." (JA-64). The letter also recited that these suppliers were "using new tooling" and "drawings" "not obtained from Colt," "but from the Government" of the Philippines. (JA-64). Colt knew that drawings obtained from the Philippines initially came from Colt because Colt had been the only source of M-16 drawings, and as Colt had established, no one else could reverse engineer M-16 parts so as to be able to independently prepare M-16 drawings. (JA-19; PA-85-86).

Therefore, by interposing "no objection" to these purchases by Christianson, Colt was, in effect, making no claim to trade secret protection with respect to the Philippine drawings and the "new tooling." If, as argued by Colt (pp. 5-6), the permission granted was limited to a few existing contracts, there would have been no point in distinguishing between "Colt drawings" and drawings received "from the Government" of the Philippines. Under Colt's present and belated trade secrets claim against Christianson, all M-16 "drawings," regardless of their immediate source, are "Colt drawings." This dichotomy was further confirmed in a Colt telegram sent to Casting Engineers that contains no restrictions on supplying M-16 castings to ITS as long as the "parts are not ordered against Colt drawings and Colt tooling is not utilized." (JA-62-63).

Finally, Christianson said in an affidavit in support of his motion for summary judgment that he believed, "based on conversations" he had "with Colt personnel" that he "had permission from Colt to utilize this tooling" that he had paid for, since it was constructed from drawings which his corporation had received from the Government of the Philippines. (JA-59).

(footnote continued)

Under these circumstances where he had bought and sold M-16 parts for eight years, and based on Christianson's view of the facts (footnote 6, *supra*), Colt violated the antitrust laws in obtaining agreements from customers and suppliers not to deal with him. At a bare minimum, Christianson, as a plaintiff, was entitled to invoke the Sherman Act and allege that this concerted refusal to deal that had made him the target of a boycott which drove him out of business, amounted to an antitrust violation.

Without citation of authority Colt asserts (p. 33) that this explanation of Christianson's cause of action, based on permission, is a "bold contention" that "does not state a group boycott claim."⁷ If Colt is correct, it simply means it has a defense to the merits of an antitrust claim, not a challenge to jurisdiction. Colt pled this defense (JA-16). A district court necessarily has jurisdiction under 28 U.S.C. § 1337 to decide if a valid claim is stated under the antitrust laws. See *Binderup v. Pathe Exchange*, 263 U.S. 291, 305-306 (1923).

(Footnote 6 continued)

Thus if the complaint's meaning is to be determined from matters outside the complaint itself, as Colt has attempted to do, the factual background from Christianson's point of view must also be considered.

⁷ "Bold contention" or not, the answer to the complaint demonstrates Colt fully recognized that the permission issue, and not § 112, was the focus of the antitrust count. Colt's Sixth Affirmative Defense alleged:

ITS and Christianson fraudulently obtained the "permission" allegedly given them, as alleged in paragraphs 21 and 22 of the Complaint, . . . (JA-16-17)

Unlike the above defense of fraud which seeks to avoid the antitrust consequences of Colt's "permission" given to Christianson, Colt's answer contains no defense directed against a § 112 wrongful disclosure allegation, and for the necessary reason that the complaint contained no such allegation, express or implied.

Accordingly, Colt's statement in its brief (p. 26, n. 27) that the permission issue was "relevant only . . . to Christianson's defenses to Colt's counterclaims for misappropriation of its alleged trade secrets, . . ." is necessarily wrong.

Colt's argument, instead of allowing for a dismissal of the antitrust claim, appears to insist that the complaint be saved for Colt's jurisdictional purposes by changing it into a claim grounded on § 112 even though that claim was never pled in the complaint. The "well pleaded complaint" doctrine does not require such a result.

B. Even If the Complaint May Be Construed to Constitute a General Attack on Colt's Right to Enforce Claimed Trade Secrets as a Part of an Antitrust Claim, Colt Would Still Have the Burden of Proving the Validity of the Trade Secrets Since Claimed Trade Secrets Carry No Presumption of Validity.

Colt does not directly respond to Christianson's argument (p. 27) that the burden was on Colt to justify its anti-competitive conduct.⁸ Instead, while virtually ignoring the entire permission issue, Colt argues (pp. 25, 35) that Christianson's "well pleaded" complaint necessarily included "an allegation of trade secret invalidity," and that plaintiff must "prove the trade secrets invalid."⁹ Assuming the complaint may be construed to constitute a general attack on Colt's right to enforce its claimed trade secrets as a part of an antitrust claim, the burden is, nonetheless, on Colt to prove the validity of its claimed trade secrets.

While there is a presumption of patent validity pursuant to the patent statute, 35 U.S.C. § 282, there is no presumption of trade secret validity. To the contrary, it is well settled that the alleged trade secrets owner has the burden of proving the

⁸ See *Silver v. New York Stock Exchange*, 373 U.S. 341, 361 (1963), which suggests that justification of anti-competitive conduct is made "in response to antitrust charges," although no pleading issue, as such, was involved in that case.

⁹ Colt's "red herring" and "one claim" analysis (p. 26, n. 27) is incorrect because the presence of the "permission" theory in the antitrust count, even if a § 112 issue was also present, precludes "arising under" jurisdiction. The § 112 issue would not be "necessary" or "essential" to plaintiffs' claim. (See Christianson's Brief, pp. 23-24, 33-34 and cases there cited).

existence of a protectable trade secret.¹⁰ As stated in *Cataphote Corp. v. Hudson*, 444 F.2d 1313, 1316-1317 (5th Cir. 1971):

Trade secret processes are not passed upon officially, as are patented processes. Therefore, they are attended by no presumptions and the burden of proof is on the plaintiff to prove not only that the idea used by the defendant is his but also that it involves some elements above ordinary mechanical commonality and is something not already known to the public and to the trade generally.

C. A Party May Not Use "Self-Help" to Drive Another Out of Business for Alleged Violations of Claimed Trade Secrets and Then Shift the Burden of Proving Trade Secret Invalidity to that Party.

Colt drove Christianson out of business using its monopoly position to coerce his suppliers and customers into no longer dealing with him. (JA-59-61). Colt now argues, in effect, that its conduct should be presumptively valid because it claims Christianson has the burden of proving that Colt's anti-competitive conduct was not justified as a result of its claimed trade secrets being invalid.

Colt's argument means that an alleged trade secrets owner, instead of seeking redress in the courts to enforce them, can improve its position by seeking self-help. In court the trade secrets owner faces a burden of proof to establish his case, but by avoiding court and using self-help he shifts that burden to the party driven out of business. Then the party driven out of business is placed in a financially difficult position to litigate and has the added burden of proving a negative it would otherwise not have to prove. There can be no sound rationale for such a position.

The burden of proving a justification for driving a party out of business must be on the same party as it would have been had no self-help been employed. Colt thus has that burden in this

¹⁰ See, for example, *MBL (USA) Corp. v. Dickman*, 112 Ill. App. 3d 229, 445 N.E.2d 418, 426-27, 67 Ill. Dec. 938 (Ill. App. 1983).

case, just as it had that burden prior to dismissing its earlier trade secrets case against Christianson after losing its motion for preliminary injunction.^{11,12}

D. Christianson Was Not *Required* to Rely on the Per Se Doctrine Without Addressing the § 112 Defense.

Colt argues (p. 35) that if a *per se* group boycott case was intended by the complaint justification would not be an issue in the case at all since "conduct that falls into a *per se* category cannot be justified." Accordingly, Colt reasons Christianson had no necessity to seek a resolution of the § 112 issue unless that was what he intended in his complaint.

¹¹ In denying Colt's motion, Judge Morgan contemplated that Christianson should be able to continue with his business efforts, stating:

I think he is entitled to his day in court on these charges and not have your relief which could be ruinous to him and may have been already without proving your case.

Ex. 1, p. 28 of Exhibits in Support of Plaintiffs' Response to Defendant's Motion for Deferring Summary Judgment, filed in *Christianson v. Colt*, Civ. No. 84-4056.

¹² The lone case cited by Colt to support its novel view of placing the burden of proof as to trade secrets on a party other than the claimed trade secret owner, is *CVD, Inc. v. Raytheon Company*, 769 F.2d 842 (1st Cir. 1985), *cert. denied*, 475 U.S. 1016 (1986). The First Circuit in dicta stated that it would be an antitrust plaintiff's burden to show that the defendant alleged trade secret rights knowing no trade secrets existed. But since CVD had clearly established that the trade secrets were in the public domain, the proposed burden was not truly at issue.

By contrast *Boeing Co. v. Sierracin Corp.*, 738 P.2d 665, 108 Wash. 2d. 38 (Wash. S.Ct. 1987), which was a *state* antitrust action involving trade secrets, placed the burden of proving the existence of the trade secrets upon Boeing (the trade secret owner).

The *Christianson* case is unlike the situation where a party alleges patent infringement as in *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965). In *Walker Process*, the defendant's patents are statutorily entitled to a presumption of validity; thus it is proper to put the burden of proof to invalidate the patents upon the antitrust plaintiff. In a trade secret case, there is no such presumption. See also the Federal Circuit's Analysis, PA-26 including n. 20.

There are several answers to this argument. First, *Silver v. New York Stock Exchange*, 373 U.S. 341, 361 (1963), suggests that even a *per se* violation, under certain circumstances, may be justified. Secondly, "not all concerted refusals to deal" are "accorded *per se* treatment." *Northwest Stationers v. Pacific Stationery*, 472 U.S. 284, 297 (1985). Finally, although plaintiff intends to still argue, if necessary, that the subject case is a § 1 *per se* violation,¹³ nonetheless, plaintiff recognizes that this question is debatable. While *Northwest Stationers*, *supra*, reaffirmed "that certain concerted refusals to deal or group boycotts are so likely to restrict competition without any offsetting efficiency gains that they should be condemned as *per se* violations of § 1 of the Sherman Act," 477 U.S. at 290, it also said:

Exactly what types of activity fall within the forbidden category, is, however, far from certain. "[T]here is more

¹³ The complaint also invoked § 2 of the Sherman Act. (JA-7). Colt claims (p. 34) that a relevant market analysis was not established. The definition of relevant market hinges on the "absolutely essential" requirement by the customer of interchangeability of all M-16 parts which is "critical to the use of the rifle on the battlefield." (PA-75, 76, 86) In the U.S. alone, the M-16 has been the standard since 1964. (PA-73). Accordingly, the "only" source of supply for a purchaser government that has so standardized is Colt, as its threatening letters claimed. (JA-69). Therefore, Colt has a classic monopoly, or as Colt itself has said, a "captive market." (Colt Corporate Memo, Federal Circuit Joint Appendix, Confidential Volume III, page A-1407)

Colt cites *United States v. E. I. DuPont de Nemours & Co.*, 351 U.S. 377 (1956), but the language of that case supports Christianson:

When a product is controlled by one interest, without substitutes available in the market, there is monopoly power.

351 U.S. at 394.

In considering what is the relevant market for determining the control of price and competition, no more definite rule can be declared than that commodities *reasonably interchangeable by consumers* for the same purpose make up that 'part of the trade or commerce,' monopolization of which may be illegal. (Emphasis added).

351 U.S. at 395.

confusion about the scope and operation of the *per se* rule against group boycotts than in reference to any other aspect of the *per se* doctrine." L. Sullivan, *Law of Antitrust* 229-230 (1977).

472 U.S. at 294.

Accordingly, in view of the confusion surrounding the *per se* rule as it pertains to group boycotts, plaintiff was entitled to first seek adjudication of Colt's claimed trade secrets defense, and thus avoid any issue of justification on that account.

E. The District Court Did Not Imply a § 112 Cause of Action; Instead the Relief Granted Was Grounded on the Antitrust Complaint as Pled.

Finally, Colt argues (p. 28), that since liability automatically flowed from the finding of a § 112 violation, Judge Morgan effectively amended the complaint by implying a cause of action under that section. Colt arrives at this conclusion by asserting (p. 37) that "no other plausible theory" remains to sustain "the district court's imposition of antitrust liability." Therefore, according to Colt, "the district court's judgment would have to be vacated because it is based on a theory Christianson now claims he never asserted as a basis for affirmative relief." These conclusions of Colt are erroneous.

Because Christianson argued in response to Colt's trade secrets defense that the record established a failure to properly disclose under § 112, and that therefore the claimed trade secrets were invalid, a conclusion adopted by Judge Morgan,¹⁴

¹⁴ Colt acknowledged that there were no genuine issues of material fact as to the merits. (PA-30) Yet, Colt proceeded to disregard numerous facts found by Judge Morgan in his memorandum granting summary judgment, and the Federal Circuit did likewise. Colt's Statement of the Case (pp. 3-18) is replete with misstatements which are too numerous to address in the limited space available. (But see Christianson's Petition for Certiorari, pp. 5-12, and the District Court's opinion PA-73-91, for a more detailed analysis.) However, certain points in response should be made:

Christianson does not and has *never* contended that Colt should have placed in its patents all the manufacturing data necessary to mass produce
(footnote continued)

Colt's trade secrets defense was lost. The basis for recovery in the complaint, however, antitrust liability predicated on a group boycott that put Christianson out of business, remained. That basis had been undisputably established since Christianson's affidavit and supporting documents proving it were never contradicted by Colt with any counter-affidavits or documents. (JA-59-75). Additionally, Judge Morgan's opinion references various Colt "practices" employed "to foster and maintain its monopoly position." (PA-74).

As a result, and contrary to Colt's argument, the antitrust relief granted by Judge Morgan was grounded on the antitrust complaint as pled, and without the § 112 issue becoming an additional part of it.

(Footnote 14 continued)

an M-16 rifle and the district court did not so hold. It found that only "the crucial interchangeability specifications should have been in the patent." The Federal Circuit misunderstood this point. (PA-31, § (d); PA-40). See also Petition for Writ, pp. 5-12, 15-21.

Christianson does contend that since the M-16 was the U.S. standard before Colt's M-16 parts improvement patents were filed, and since the interchangeability of parts with the M-16 was an absolute and critical requirement of the user well known to Colt prior to filing (PA-76), Colt should have at least disclosed in its M-16 parts improvement patents enough information so that others could have made a patented part which could be assured to fit operably into any M-16, without undue experimentation. With this minimum disclosure the public would then be assured an opportunity to use the inventions with standard U.S. military rifles after the patents expired.

Christianson's position in this case is merely the application of principles long espoused by the Supreme Court. The Constitution, Article I, Sec. 8 cl. 8, only allows Congress to grant patents for "limited" times to inventors. Congress included § 112 within the patent laws to assure that patents would not be granted unless, upon the expiration of the patent, the public would receive the full benefits of the invention, thus effectively limiting the inventor's exclusivity to the 17 year patent term. *Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U.S. 249, 255-256 (1945). Colt may well extend its monopoly position far beyond the present 25 years if its past activities are condoned. Yet the patent system should be a vehicle for injecting crucial information into the public domain, not a vehicle to assist in maintaining a perpetual monopoly based upon trade secrets.

IV. THE PROCEDURAL RULES RELIED UPON BY COLT RESULT IN A HOLDING OF NO FEDERAL CIRCUIT JURISDICTION.

A. The Law of the Case Argument Should Have Precluded the Seventh Circuit From Reconsidering the Federal Circuit's Initial Transfer Order.

Colt's argument (pp. 39-41) that the Federal Circuit had no jurisdiction to reconsider the Seventh Circuit's transfer decision, and the cases cited in support of that proposition, actually establish that it was the Seventh Circuit that had no grounds to reconsider the transfer order of the Federal Circuit. Colt, however, erroneously argues (p. 41) that it was the Federal Circuit who should not have reconsidered the Seventh Circuit's decision because the Seventh Circuit "issued the first fully articulated jurisdictional ruling."

The cases cited by Colt do not stand for such a proposition. On the contrary, they hold the opposite, that once a court has decided a disputed issue following a consideration of briefs and argument, that decision should not be further reconsidered by a second court, regardless of whether an opinion discussing all pertinent issues had been written by the deciding court. In *Perkin-Elmer Corp. v. Computervision Corp.*, 732 F.2d 888, 901 (Fed.Cir. 1984), a case cited by Colt, the court said:

... , the Ninth Circuit had before it . . . the parties' briefs and arguments That a court "do[es] not discuss certain propositions do[es] not make the decision inadequate or suggest the . . . court failed to understand them." *Schilling v. Schwitzer-Cummins Co.*, 142 F.2d 82, 84 (D.C.Cir. 1944). Moreover, "[w]e should never assume that a court of concurrent jurisdiction neglected to perform its duty."

In another case cited by Colt, *Skil Corp. v. Millers Falls Co.*, 541 F.2d 554, 556 (6th Cir. 1976), cert. denied 429 U.S. 1029 (1976), an order given *res judicata* effect recited only that the petition for writ of prohibition and mandamus and a memorandum, appendix and answer had been considered, and that upon

that consideration "the same is hereby DENIED." This order was of the type entered by the Federal Circuit in this case. (PA-63). In line with the foregoing cases the Federal Circuit's decision was entitled to be considered as law of the case.¹⁵

Therefore, based on Colt's own arguments, Christianson's motion to dismiss (JA-113) filed upon retransfer to the Federal Circuit was well taken, and the Federal Circuit should have allowed it.

B. It Was Colt, Not Christianson, Who Changed the Theory of the Complaint for Jurisdictional Purposes, So if a Theory of Judicial Estoppel Has Applicability, It Should Be Invoked Against Colt.

Colt claims (pp. 31-32) that plaintiff has adopted "a wholly new theory of his complaint on appeal for jurisdictional purposes," and asserts that the "first time Christianson described his claim as a group boycott was in his answering brief on appeal to the Seventh Circuit." While that may be the first time Christianson used those precise words to describe his complaint, the group boycott theory clearly appears in paragraph 23 of the complaint¹⁶ (JA-11).

¹⁵ Also see *Hoffman v. Blaski*, 363 U.S. 335 (1960), which appears to infer that a transfer order entered under the circumstances of the Federal Circuit's in this case should be controlled by policy considerations underlying the doctrine of *res judicata* because (1) the Federal Circuit fully considered the jurisdictional questions following a full briefing and (2) Christianson specifically invoked the doctrine in his motion to dismiss upon retransfer to the Federal Circuit. (JA-113). In *Hoffman* the disagreement between the majority and dissent appeared to focus on whether the Fifth Circuit's denial of a motion for leave to file a petition for mandamus was a determination of the merits of a district court transfer order. 363 U.S. at 348. The majority opinion held that the denial did not determine the merits of the transfer order while the dissent held that it did. 363 U.S. at 340, n. 9 and 363 U.S. at 346, 348, 350. The majority and concurring opinions also emphasized that, unlike here, a claim of issue preclusion relative to the merits of the transfer order had not been invoked. 363 U.S. at 340, 345.

¹⁶ See discussion in Christianson's Brief, pp. 25-26. While Colt concedes (p. 24) that "[s]ubstance, not form, controls our [jurisdictional] determination," when it comes to finding a group boycott theory in the complaint, (footnote continued)

Colt is also wrong in stating that Christianson's discussion of group boycott on appeal to the Seventh Circuit was done "for jurisdictional purposes." At the time of filing his brief on the merits in the Seventh Circuit, Christianson assumed (as it turned out, incorrectly) that the jurisdictional debate was over, and that the Seventh Circuit, having received the case in a transfer order from the Federal Circuit after a full briefing on the jurisdictional issue, was about to consider the merits. Therefore, Christianson's brief to the Seventh Circuit addressed the merits and no part of it dealt with jurisdiction. Christianson's characterization of the antitrust violation as a group boycott claim was presented in an argument to sustain Judge Morgan's summary judgment on the antitrust count.¹⁷

Thus, contrary to Colt's assertion that Christianson has altered his theory of the complaint solely for jurisdictional purposes, the theory of the complaint offered to this Court for jurisdictional purposes is precisely the same theory advanced to the Seventh Circuit for purposes of a consideration of the merits. Rather, only Colt has changed its theory of the complaint for jurisdictional purposes as compared to what it

(Footnote 16 continued)

nothing appears to suffice for Colt except the actual use of the words, "group boycott" and "concerted refusal to deal." (Colt's Brief, p. 32). These actual words do not even appear in either §§ 1 or 2 of the Sherman Act (15 U.S.C. §§ 1 & 2).

The complaint does say that the action is based on §§ 1 & 2 of the Sherman Act (JA-7) and in paragraph 23 the allegation is that "... virtually all suppliers of ITS and customers of ITS have *agreed* with Colt to *refrain* from *supplying* and *purchasing* M-16 parts and accessories to or from ITS," (JA-11). (Emphasis added). Under any reasonable dictionary usage of the terms that Colt says were magically required, an agreement between customers and suppliers with Colt to not supply and purchase is necessarily a concerted refusal to deal and a group boycott. Certainly these words were sufficient to satisfy the liberal "notice pleading" standards of the Federal Rules of Civil Procedure. See *Conley v. Gibson*, 355 U.S. 41, 47-48 (1957).

¹⁷ Brief for Appellees, Docket No. 86-1145, U.S. Court of Appeals for the Seventh Circuit, pp. 45-50.

believed the complaint said when it was addressing the merits.¹⁸

Accordingly, judicial estoppel (Colt's Brief, p. 37, n. 41), if applicable, should be utilized to prevent Colt from offering a new theory of the complaint once the debate shifted from the merits to jurisdiction.

V. THE JUDGMENT OF THE FEDERAL CIRCUIT SHOULD BE VACATED AND THE APPEAL DISMISSED.

A. Colt May Not Now Request Transfer to the Seventh Circuit Because Colt Failed to Cross-Petition With Respect to this Remedy.

Colt's Brief argues (p. 38, n. 42), for the first time, for a remedy of transfer to the Seventh Circuit. Yet Colt failed to cross-petition for certiorari, conditionally or otherwise, as to the Federal Circuit's refusal to transfer to the Seventh Circuit. The Federal Circuit denied transfer on the grounds that transfer would not be in the interest of justice (PA-28).¹⁹ The established doctrine governing appeals to all appellate courts, including the Supreme Court, is that a party must cross-appeal or cross-petition if he seeks to change the judgment below or any part thereof. An argument which would modify the judgment even in a way that provides less relief cannot be presented without having filed a cross-appeal or cross-petition. *Federal Energy Administration v. Algonquin SNG, Inc.*, 426 U.S. 548, 560 n. 11 (1976); *Trans World Airlines, Inc. v. Thurston*,

¹⁸ Colt has not even attempted an explanation as to *why*, if it viewed the complaint as predicated on a § 112 violation, (1) it *admitted* patent validity instead of denying invalidity in answering paragraph 18 of the complaint, (2) it sought no relief with respect to the antitrust count of the complaint when filing a cross-motion for summary judgment which asked for a definitive determination of the § 112 issue, and (3) it specifically sought *only* the striking of "plaintiffs' affirmative defenses relating to alleged deficiencies in Colt's patent disclosures" in that same cross-motion. (JA-81, 83-84; see Christianson's Brief, pp. 29-30, 42-43).

¹⁹ Christianson seeks only dismissal or review of the merits by this Court, not transfer.

469 U.S. 111, 119, n. 14 (1985); *Barry v. Barchi*, 443 U.S. 55, 69 n. 1 (1979) (concurring opinion, in accord).

For the Court to allow transfer to the Seventh Circuit would permit Colt to obtain more, or less, relief than Colt obtained from the Federal Circuit's decision. For example, Colt unsuccessfully sought the grant of its cross motion for summary judgment in the Federal Circuit, but transfer would give it another crack at that issue. Should the Court determine that the Federal Circuit does not have jurisdiction,²⁰ the most appropriate manner for resolving this matter would be to order the decision on the merits vacated, the mandate in support thereof recalled, and the appeal to the Federal Circuit dismissed.

B. Because of Colt's Inappropriate Efforts to Manipulate Jurisdiction, Transfer, Rather Than Dismissal, Would Not be In the Interest of Justice.

Colt contends (p. 41), in effect, that its misrepresentations as to jurisdiction are "not worthy of serious consideration" and that, should the Court find that the Federal Circuit lacked jurisdiction, the appeal should be transferred to the Seventh

²⁰ Even if this Court determines that the Federal Circuit does have jurisdiction, or if this Court does not decide the issue of Federal Circuit jurisdiction, dismissal could be granted based solely on Question 1. In failing to include in its brief the first Question authorized by the Court for review, and in failing to present arguments directed to that question, Colt has conceded that "a U.S. Court of Appeals may [not] rule on the merits of an appeal when it expressly rules that it does not have subject matter jurisdiction pursuant to statute." (Christianson's first question presented.) Indeed, as stated in *Firestone Tire & Rubber Co. v. Risjord*, 449 US 368, 379 (1981):

If the appellate court finds that the order from which a party seeks to appeal does not fall within the statute, its inquiry is over.

The Federal Circuit expressly ruled that it did not have subject matter jurisdiction pursuant to statute (PA-10, 27, 36). Resolution of the first question thus requires the Federal Circuit to vacate its decision on the merits, recalling its mandate. Since Colt is not entitled to the remedy of transfer, Christianson's requested relief of dismissal of Colt's appeal is appropriate.

Circuit. Such transfer would further burden Christianson and delay his right to relief.

Colt's Brief, in this Court states (p. 14): "Colt . . . at no time challenged the jurisdiction of either appellate court." Yet Colt submitted an 18 page brief on the jurisdictional issue strongly arguing that "the Federal Circuit has jurisdiction over this appeal" and that the Seventh Circuit did not. (Appellant's Memorandum of Law in Opposition to Appellees' Motion to Transfer, originally filed in the Federal Circuit and transferred with the case to the Seventh Circuit, and back again.)

That jurisdiction brief provided the basis for the Seventh Circuit's erroneous conclusion of no jurisdiction and included the following (p. 13):

Plaintiffs' complaint contains the unambiguous allegation that the Colt patents "were invalid through the wrongful retention of proprietary information in contravention of United States Patent Law (35 U.S.C. 112)."

This quotation deleted the critical introduction which reads: "Unless such patents were invalid . . . , and ignored the preceding sentence which alleged that "The validity of the Colt patents had been assumed" As detailed in Christianson's Brief (p. 29-30), the meaning of Paragraph 18 of the complaint is just the opposite of Colt's so-called "unambiguous" allegation. Of course, Colt did not mention in its jurisdictional brief that it *admitted* patent validity in response to Paragraph 18. The Federal Circuit concluded that the Seventh Circuit gave "undue weight" to the "misinterpretation" of Paragraph 18. (PA-22, 23). The above deceptive quotation from Paragraph 18, served as one of the bases for Christianson's Motion to Dismiss filed in the Federal Circuit.²¹ (JA-113).

²¹ There are other examples. See discussion in IV(B), pp. 14-16, *supra*. Note also that the Federal Circuit stated that Colt "should know it is wrong" in its attempts to transform "issue" jurisdiction into "arising under" jurisdiction. (PA-12)

Note also that the Federal Circuit was not mistaken, as suggested by Colt (p. 13, n. 14.) that Colt had requested a holding that its own patents were

(footnote continued)

VII. CONCLUSION

This court should vacate the decision, judgment, and mandate of the Federal Circuit for want of jurisdiction and order that the appeal be dismissed. Should this Court determine that the Federal Circuit was in error in concluding that it had no jurisdiction, then this Court should grant certiorari to review Question 2 presented in Christianson's Petition for Writ of Certiorari, unless this Court orders the Federal Circuit to dismiss the appeal because of Colt's concession of Question 1.

Respectfully submitted,



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(Footnote 21 continued)

invalid. Christianson's proposed order and judgment submitted after the Court's summary judgment decision (which is of record in the district court) had no provision for any holding of patent invalidity, and it was Colt who specifically requested that Christianson's proposed order be modified in its decretal portion to include an express holding of invalidity of certain of its patents.

As a final note, Colt's Brief (pp. 17, 18, and 34) references "one commentator," Melvin F. Jager with strikingly biased views of the *Christianson* cases. Colt failed to note he is, and has long been, a partner in one of the firms retained by Colt in this case, Willian Brinks Olds Hofer Gilson & Lione, Ltd. (Martindale-Hubbell Law Directory, 1988, Vol. III, p. 848B.)